

**ORIGINAL**

Decision No. 54160

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHWEST WATER COMPANY, a corpora- )  
 tion, to buy, and SAMUEL K. RINDGE )  
 and AGNES HOLE RINDGE to sell all )  
 of the outstanding stock and )  
 secured and unsecured notes of )  
 Citizens Domestic Water Company, a )  
 corporation; )

CITIZENS DOMESTIC WATER COMPANY, a )  
 corporation to distribute in vol- )  
 untary liquidation all of its )  
 assets, operative rights, and cer- )  
 tificates of public convenience and )  
 necessity to Southwest Water Com- )  
 pany, a corporation; )

Application No. 38246  
 Amended

SOUTHWEST WATER COMPANY, a corpora- )  
 tion, to issue and sell the balance )  
 of its First Mortgage Series A 5½% )  
 Bonds and to issue and sell )  
 \$200,000 of its First Mortgage )  
 Series B 5% Bonds; )

SOUTHWEST WATER COMPANY, a corpo- )  
 ration, to issue and sell Class A )  
 cumulative preferred 5½% stock. )  
 (Amended Title) )

Arthur D. Guy, Jr., and John C. Luthin, for  
Southwest Water Company; Cosgrove, Craemer,  
Diether and Rindge by Samuel K. Rindge, for  
Samuel K. Rindge, Agnes Hole Rindge and  
Citizens Domestic Water Company, applicants;  
Harold J. McCarthy, Theodore Stein and  
Richard T. Perry, for the Commission staff.

O P I N I O N

An order of this Commission is sought authorizing:

1. Southwest Water Company, a corporation, hereinafter some-  
 times referred to as Southwest, to purchase all of the outstanding  
 stock and secured and unsecured notes from Samuel K. Rindge and his  
 wife, Agnes Hole Rindge, sole stockholders of Citizens Domestic Water  
 Company, hereinafter sometimes referred to as Citizens.

2. Southwest to finance the purchase by issuing 5½% preferred stock in the amount of \$100,000, Series A 5½% bonds in the amount of \$100,000 and Series B 5% bonds in the amount of \$200,000.

3. Citizens to distribute and transfer to Southwest all of its assets and operative rights.

A public hearing was held before Commissioner Matthew J. Dooley and Examiner Thomas E. Daly on October 22, 1956, at Los Angeles.

The record indicates that Southwest and Citizens are presently rendering water services under the jurisdiction of this Commission; that Samuel K. Rindge and Agnes Hole Rindge, husband and wife, as sole owners of all the outstanding stock as well as the secured and unsecured notes of Citizens, on or about February 1, 1956, entered into an option agreement to sell all of their interest at the estimated purchase price of approximately \$385,000; that the option was subsequently assigned to Southwest; that as of June 30, 1956, the net book values to be acquired by Southwest amounted to \$411,591; that Citizens' net income available for fixed charges for the years 1953, 1954, and 1955 was \$26,328, \$19,210 and \$23,893, respectively; that upon grant of the authority sought Southwest through a short-term interim financing will purchase the stock and notes of Citizens from Mr. and Mrs. Rindge, immediately thereafter and upon the dissolution of Citizens and the transfer of its assets and operative rights to Southwest, the interim financing will be paid from the funds realized from the sale of stock and bonds which Southwest herein seeks authority to issue; that of said amount \$100,000 will be borrowed from Bankers Life Insurance Company of Nebraska by selling and issuing the balance of Southwest's First Mortgage Series A 5½% bonds, due 1975, pursuant to the terms of the purchase agreement and trust indenture filed in Application No. 37627; that \$200,000 will be

borrowed from Lincoln National Life Insurance Company by selling and issuing its First Mortgage Series B 5% bonds, due 1976, pursuant to a purchase agreement and first supplemental trust indenture, filed herein; that the balance will be acquired through the issue of Southwest's 5½% cumulative preferred stock.

The staff was of the opinion that the earnings of Citizens should be sufficient to enable Southwest to meet the fixed charges on the securities it proposes to issue without drawing on the income from its present operations. It recommended that the utility plant accounts of Citizens, which reflect original costs, should be transferred to the books of Southwest along with the related depreciation reserve without adjustment.

After consideration the Commission is of the opinion, and so finds, that the transfer under the terms proposed, and subject to the conditions of the order herein will not be adverse to the public interest and should be authorized. The Commission further finds that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by Southwest for the purpose of acquiring the properties of Citizens Domestic Water Company and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

Southwest Water Company will be authorized and directed to refile, as a part of its presently filed tariff schedules, the rates now on file for Citizens Domestic Water Company, and to apply in the area hereinafter authorized to be transferred the former's presently filed rules and its rate schedule applicable to construction flat rate service. Any increase in charges which may result from the application of the rules and the rate schedule applicable to construction flat rate service of Southwest Water Company in the area hereinafter authorized to be transferred and served by it are hereby

found to be justified. Otherwise, no changes in rates for water service will be authorized in connection with the transfer of properties.

The action taken herein shall not be construed to be a finding of the value of the rights and properties herein authorized to be transferred, nor shall it be construed to be a finding of amounts to be included in rate base for rate-fixing purposes.

O R D E R

Application having been filed and the Commission being informed in the premises:

IT IS ORDERED:

1. That, on or before September 1, 1957, Southwest Water Company may purchase and acquire and Samuel K. Rindge and Agnes Hole Rindge may sell and transfer all of the capital stock as well as the secured and unsecured notes of Citizens Domestic Water Company, in accordance with the terms and conditions set forth in the application and Exhibits A and B attached thereto.
2. That, on or before September 1, 1957, Citizens Domestic Water Company may distribute and transfer and Southwest Water Company may acquire all of Citizens Domestic Water Company's assets, operative rights and certificates of public convenience and necessity heretofore issued to it by this Commission.
3. That Southwest Water Company may issue the balance of its First Mortgage A 5½% bonds in the amount of \$100,000 in accordance with the terms and conditions of the purchase agreement and trust indenture filed in Application No. 37627.
4. That Southwest Water Company may execute and deliver a purchase agreement and first supplemental trust indenture, a copy of which was filed with the instant application, and may issue pursuant thereto First Mortgage Series B 5% bonds in the amount of \$200,000.

5. That Southwest Water Company may issue \$100,000 additional Class A cumulative preferred 5½% stock.

6.a. That Southwest Water Company, on and after the date of actual transfer, is authorized and directed to charge in the territory transferred under the authorization herein granted the rates presently in effect for Citizens Domestic Water Company and to apply in said territory its own rules, and its rate schedule applicable to construction flat rate service, said rules and rate schedule now being on file with the Commission for its existing system.

b. That Southwest Water Company, if it acquires the hereinabove described properties, shall, within thirty days thereafter, file the rates authorized herein and shall revise its presently effective tariff schedules to provide for the application of its rules and said rates in the service area being acquired herein, together with a revised tariff service area map, all in accordance with the procedure prescribed by General Order No. 96. Such revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

7. That on or before the date of actual transfer of Citizens Domestic Water Company to Southwest Water Company, the former shall refund all deposits which customers are entitled to have refunded, and all advances for construction which are subject to refund; and that any unrefunded deposits and advances for construction shall be transferred to and become the obligation for refund of Southwest Water Company.

8. That the proposed accounting entries by which the properties will be distributed to the books of Southwest Water Company shall be submitted to the Commission.

9. That the utility plant accounts of Citizens Domestic Water Company, which reflect original costs, shall be transferred to the books of Southwest along with the related depreciation reserve without adjustment upon acquisition by Southwest.

10. That if the authority herein granted is exercised, the Southwest Water Company shall, within thirty days thereafter, notify the Commission in writing, of the date of such completion of the property transfer herein authorized and of its compliance with the conditions hereof.

11. That on or before the date of actual transfer of the physical properties herein authorized, Citizens Domestic Water Company shall transfer and deliver to Southwest Water Company and the latter shall receive and preserve all records, memoranda and papers pertaining to the operations of Citizens Domestic Water Company, as more specifically described in the Commission's General Order No. 28.

12. That Southwest Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which Order, in so far as applicable, is made a part of this order.

13. That this order shall become effective when applicants have paid a fee of \$300 as required by Section 1904 of the Public Utilities Code.

14. Upon due compliance with all the conditions of this order Citizens Domestic Water Company shall stand relieved of all further

public utility obligations in connection with the operation of the public utility water system herein authorized to be transferred.

Dated at Los Angeles, California, this 24<sup>th</sup> day of DECEMBER, 1956.

*[Signature]*  
 President

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 Commissioners

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