

**ORIGINAL**

Decision No. 54327

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHWEST WATER CO., a California corporation, for a certificate of public convenience and necessity to furnish water service in the vicinity of Etiwanda, San Bernardino County, and for permission to issue Class A Preferred Stock.	) ) ) ) ) ) )	Application No. 37413 Petition for Clarification, Modification and Amendment of, and Request for Extension of Time to comply with Decision No. 54327.
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*G. E. M.*

Supplemental OPINION and ORDER

By Decision No. 54327, dated December 27, 1956, in Application No. 37413 (Southwest Water Co.) and Application No. 37695 (San Gabriel Valley Water Company), Southwest Water Co. was granted a certificate of public convenience and necessity to construct and operate a public utility water system. Paragraph 6 of the order of said decision provides that Southwest may acquire 1,840 shares of stock of the Rochester Water Company issued and outstanding together with all of its assets provided, however, that funds for the acquisition of said company, said stock, instruments of title, and Southwest's stock to be issued in exchange be placed in escrow until Southwest has had delivered to it for cancellation all of the said stock of Rochester Water Company or until further order of the Commission. Paragraph 7 of said order authorizes Southwest to acquire the assets of Etiwanda Domestic Water Association including 131 shares of stock of the Etiwanda Water Company for the price of \$93,451. Paragraph 7 contains the proviso that the funds for the acquisition of Etiwanda Domestic Water Association's stock, the Etiwanda Water Company's stock and Southwest's stock be placed in escrow until Southwest has had delivered to it for cancellation all of the shares of stock of

the Etiwanda Domestic Water Association amounting to 262 shares, and has received the aforesaid 131 shares of Etiwanda, without lien or encumbrance, coincidentally with acquisition of the stock and assets of Rochester, or until further order of this Commission. Paragraph 10 of the order provides as follows:

"That installation of utility plant exceeding \$1,000 for each project or contract, when not performed by the utility's own construction force, shall be based upon sealed competitive bids. Southwest may reject the bids of bidders who are deemed unqualified, but there shall be a minimum of three bonded bidders, each guaranteeing to do the majority of work with its own forces. Contracts may be by specified projects or by unit prices for a period not exceeding one year. Southwest shall maintain a record of bids and bidders and certify thereon that the minimum three bidders are nonaffiliated with and nonfinanced by applicant or its officers, directors and/or employees in any manner, that bidders were notified at least five days in advance of the time and place of opening bids, and that bids were opened in the presence of bidders who appeared. In the event that three bids are not obtained and the utility does not elect to reject all bids, the Commission shall be advised by letter at least ten days in advance of awarding a contract. This letter should set forth the circumstances and indicate the nature of the proposed contract, to what extent calls for bids have been advertised, what bids have been received, and what bidders were deemed unqualified."

Decision No. 54327 is to become effective twenty days after December 27, 1956, and ordering paragraph 11 thereof provides that the authorization granted will expire if not exercised within 120 days after the date of the decision.

By its petition for clarification, modification and amendment of, and request for extension of time to comply with Decision No. 54327, filed on February 5, 1957, Southwest Water Company prays that Decision No. 54327 be modified as follows:

1. That the requirement that it procure cancellation of all of the outstanding shares of stock of the Rochester Water Company as a condition to the purchase of the aforesaid assets be deleted from

Decision No. 54327 for the reasons that it did not propose by Application No. 37413 on which Decision No. 54327 was rendered, to purchase all of the stock and assets of said Rochester Water Company but only the assets and the necessary 2/3 or more of the shares of stock of the Rochester Water Company, and that it is difficult, if not impossible, to secure all of the stock of the Rochester Water Company at this time.

2. That the purchase price for all the assets of the Etiwanda Domestic Water Association be modified upward because of difficulty of obtaining the shares of stock of said company.

3. That the requirement that Southwest procure cancellation of all of the outstanding 262 shares of stock of the Etiwanda Domestic Water Association as a condition to the purchase of the assets of the said company be deleted from said Decision No. 54327 for the reason that the members of the domestic water association agreed to sell the assets only and do not intend to dissolve the association.

4. That the restrictions placed upon applicant by said Decision No. 54327 as to its methods of procuring bidders and granting interests for the installation of utility plant be modified to permit the management of applicant to carry out its existing and proposed policy.

5. That the requirement of said Decision No. 54327 that bidders on contracts for the installation of utility plant be bonded be eliminated as a condition to the receipt of bids for contracts to install utility plant.

Southwest Water Company further requests that the time within which to exercise the authorizations contained in the order of Decision No. 54327 be extended until 240 days after the date of Decision No. 54327.

The Commission has carefully reviewed the record of the hearing on Application No. 37413, Decision No. 54327, and the petition

herein and has concluded that the petition should be granted in certain respects as set out below and denied in all other respects, now, therefore,

IT IS ORDERED as follows:

(1) That paragraph 6 of the order of Decision No. 54327 is amended to read as follows:

That Southwest Water Company, after the effective date hereof, may acquire the 1,840 shares of stock of the Rochester Water Company issued and outstanding, and carrying with said shares the full and unencumbered title to its entire water system and all of its water rights, and may pay therefor \$50 for each of such shares of stock, such \$50 to be paid one-half in cash and one-half by exchange for Southwest's Class A Cumulative Preferred Stock at the par value of \$50 per share, with a dividend rate of  $5\frac{1}{2}$  per cent of the par value thereof, provided, however, that the funds for the acquisition of such company, Rochester's stock, the necessary instruments of title, and Southwest's stock to be issued in exchange, all be placed in escrow until Southwest has had delivered to it for cancellation 67 per cent or more of the shares of stock of Rochester and has received the necessary instruments of title to the physical assets referred to, coincidentally with the acquisition of the assets of Domestic as hereinafter referred to, or until further order of this Commission.

(2) That paragraph 7 of the order of Decision No. 54327 is amended to read as follows:

That Southwest Water Company, after the effective date hereof, may acquire the assets of Etiwanda Domestic Water Association, including 131 shares of stock of the Etiwanda Water Company without lien or encumbrance, and may pay therefor the sum of \$93,451, such sum to be paid one-half in cash and one-half by exchange for Southwest's Class A Cumulative Preferred Stock at the par value of \$50 per share, with a dividend rate of  $5\frac{1}{2}$  per cent of the par value thereof; provided, however, that the funds for the acquisition of such company, Etiwanda's stock, and Southwest's stock to be issued in exchange, all be placed in escrow until Southwest has received the aforesaid 131 shares of Etiwanda, and has received the necessary instruments of title to the physical assets referred to, without lien or encumbrance, coincidentally with acquisition of the stock and assets of Rochester hereinbefore referred to, or until further order of the Commission.

(3) That paragraph 10 of the order of Decision No. 54327 is amended to read as follows:

That installation of utility plant exceeding \$1,000 for each project or contract, when not performed by the utility's own construction force, shall be based upon sealed competitive bids. Southwest may reject the bids of bidders who are deemed unqualified, but there shall be a minimum of three bona fide bidders, each guaranteeing to do the majority of work with its own forces. Contracts may be by specified projects or by unit prices for a period not exceeding one year. Southwest shall maintain a record of bids and bidders and certify thereon that the minimum three bidders are nonaffiliated with and nonfinanced by applicant or its officers, directors and/or employees in any manner, that bidders were notified at least five days in advance of the time and place of opening bids, and that bids were opened in the presence of bidders who appeared. In the event that three bids are not obtained and the utility does not elect to reject all bids, the Commission shall be advised by letter at least ten days in advance of awarding a contract. This letter should set forth the circumstances and indicate the nature of the proposed contract, to what extent calls for bids have been advertised, what bids have been received, and what bidders were deemed unqualified.

(4) That paragraph 11 of the order of Decision No. 54327 is amended to read as follows:

That the authorization herein granted will expire if not exercised within two hundred forty days after the date hereof.

It is further ordered that, except as specifically amended hereby, Decision No. 54327, dated December 27, 1956, in Application No. 37413 and Application No. 37695 shall remain in full force and effect and that except to the extent granted by this decision the

petition for clarification, modification and amendment of, and request for extension of time to comply with Decision No. 54327 is denied.

The effective date of this order shall be the effective date of Decision No. 54327.

Dated at San Francisco, California, this 19<sup>th</sup> day of MARCH 1, 1957.

[Signature]  
President  
[Signature]  
[Signature]  
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Commissioners