

ORIGINAL

Decision No. 55406

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 WARREN O. WAGNER, doing business
 as GREAT WESTERN WATER SERVICE, for
 permission to transfer, and GREAT
 WESTERN WATER SERVICE, a California
 corporation, for permission to have
 transferred to it the operating
 rights of, and all of the assets of
 that certain public utility doing
 business as GREAT WESTERN WATER
 SERVICE.

Application No. 38394

GREAT WESTERN WATER SERVICE, a
 California corporation, for a permit
 to sell and issue certain of its
 common shares.

Gray and Guy, attorneys, by Arthur D. Guy, Jr.;
Dr. Warren O. Wagner, in propria persona, and
 president; and Henry Suzuki; for applicants.
Jack Bryant, Deputy County Engineer, Water Works
 and Utilities Division, County of Los Angeles,
 interested party.
Charles W. Drake, for the Commission staff.

O P I N I O N

By Decision No. 53985, dated October 30, 1956, in the
 above-numbered application, Warren O. Wagner, an individual doing
 business as Great Western Water Service, was authorized to sell
 and transfer his public utility water system and properties to
 Great Western Water Service, a corporation. A contingency of the
 authority granted by said decision was that one or the other of
 the applicants, depending on whichever is the owner of the utility
 properties, should furnish the Commission within 60 days after the
 effective date thereof, the original cost, estimated if not known
 (historical cost appraisal), of the Wagner properties, together
 with the related depreciation reserve requirement as of the date

of transfer of said properties acquired from Chester C. Bagstad, a former owner.^{1/} Final submission of the matter was set aside by Decision No. 53985, supra, for further hearing on and the receipt into evidence of the original cost determination and related depreciation reserve requirement of the Wagner properties.

A further public hearing on this matter was held before Examiner Stewart C. Warner on April 18, 1957, at Los Angeles.

On January 18, 1957, applicant Wagner submitted to the Commission an actual or estimated historical cost appraisal of the Chester C. Bagstad properties, as of October 15, 1955, in the total amount of \$51,493.27, with a related depreciation reserve requirement of \$4,135.94.

Exhibit No. 4, a staff hydraulic engineering appraisal of the Bagstad properties as of October 15, 1955, was submitted and received at the hearing. Said exhibit shows estimated historical cost of \$46,764, with a related depreciation reserve requirement of \$2,757.^{2/}

The major difference between the appraisals submitted by the applicant, Wagner, and the staff lies in Account 306, Land and Land Rights. The applicant Wagner included in his appraisal the cost to him of three parcels of land for a total cost of \$4,938.

^{1/} By Decision No. 52534, dated January 31, 1956, in Application No. 37453, Wagner was authorized to and did acquire the operating rights and assets of the public utility water system known as Chester C. Bagstad Water Co.

^{2/} Corrects \$2,777 total shown in this exhibit for error in addition occurring on page 2 of the appraisal, in Account 324.

The staff included three well sites, of the dimensions of 60 feet by 100 feet, at a unit cost of \$750 per acre, for a total cost of \$309.

It appears from the record that Wagner acquired from Bagstad the aforementioned land surrounding the wells for anti-contamination purposes following a recommendation of the Los Angeles County Board of Health that such lands be acquired for health protection of the utility's sources of water supply.

Another major difference in the appraisal is in the depreciation reserve requirement, and counsel for the applicant corporation stipulated that said applicant would accept and record on the corporation's books, the depreciation reserve requirement figure submitted by the Commission staff.

A careful analysis and comparison between the applicant Wagner's financial statement as of July 6, 1956 (Exhibit A of the application), his appraisal dated January 18, 1957 of the Bagstad properties as of October 15, 1955 (supra) and the staff appraisal Exhibit No. 4 also indicates that the applicant Wagner omitted certain items from his financial statement including the cost of a parcel of land for a well site, certain meters and services, and other items. A reconciliation of said exhibit and said appraisals will be attached hereto as Appendix A to be used as a basis for stock requested to be issued.

Findings and Conclusions

It appears from the record and the Commission finds as a fact and concludes, that the well-site properties were first dedicated to public use by Wagner when he purchased them from Bagstad for source of water supply anti-contamination purposes

for a total cost of \$4,938, and that said latter amount is the proper figure to be included in Account No. 306, Land and Land Rights, in the appraisal of the Bagstad utility properties acquired by Wagner, as of October 15, 1955. The amount of \$750 per acre utilized by the staff in its appraisal represents the historical cost of land to Bagstad in about the year 1945.

It further appears from the record in the further hearing on this matter that the amount of 7,691 shares of Great Western's Class A common stock for a total par value of \$76,910, requested by Great Western to be issued in the instant application, should be revised downward to 7,526 shares representing the \$75,261 net worth as developed in Appendix A (supra). The order which follows hereinafter will authorize the applicant corporation to issue 7,526 shares of its Class A common stock at a par value of \$10 per share for a total par value of \$75,260.

By the petition for extension of time within which to comply with conditions set forth in Decision No. 53985 dated October 30, 1956, filed May 15, 1957, applicant Wagner requested that he be given a period of 180 days following said date of filing of said petition within which to transfer his public utilities water system to applicant Great Western Water Service, the corporation. The order which follows hereinafter will provide for an extension of time.

O R D E R

Paragraph A of Decision No. 53985, dated October 30, 1956, in the above-entitled application, having been complied with by applicant Warren O. Wagner, doing business as Great Western Water

Service, by the filing on January 18, 1957, of the data required by said paragraph of said decision, a further hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

1. That Great Western Water Service, a corporation, be, and it is, authorized to issue on or after the effective date hereof, and on or before December 31, 1957, 7,526 shares of its Class A common stock at a par value of \$10 per share for a total par value of \$75,260 to Warren O. Wagner in exchange for the transfer by said Wagner to said corporation of all of the public utility water system assets of Warren O. Wagner, an individual doing business as Great Western Water Service. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of such stock is reasonably required by Great Western Water Service, the corporation, for the purposes herein stated and that such purposes are not reasonably chargeable to operating expenses or to income.

2. That the foregoing authorization to issue Class A common stock shall be contingent upon the compliance of Great Western Water Service, a corporation, with the provisions of the order in Decision No. 53985 relating to the issuance of its Class B common stock.

3. That Great Western Water Service, a corporation, shall file with the Commission monthly reports as required by General Order No. 24A, which order in so far as applicable is made part of this order.

IT IS HEREBY FURTHER ORDERED that Ordering Paragraph 1 of the order in Decision No. 53985, dated October 30, 1956, be, and it hereby is modified to read as follows:

- "1. That Warren O. Wagner, an individual, doing business as Great Western Water Service may, on or after the effective date hereof and on or before December 31, 1957, sell and transfer his public utility water system properties described on the application to Great Western Water Service, a corporation."

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 11th day of June, 1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A

GREAT WESTERN WATER SERVICE
BAGSTAD PROPERTY
AND BASIS FOR STOCK ISSUE

<u>Description</u>	<u>Depreci- ated Cost P.U.C. Appraisal 10-15-55</u> (1) \$	<u>Additions as per Company Statement 7-6-56</u> (2) \$	<u>Total</u> (3) \$	<u>Basis of Stock Issue</u> (4) \$
Cash in Bank				2,284
Accounts Receivable				63
Land - Well Site #1	1,646*	201	1,847	
Well Site #2	1,646*	200	1,846	
Well Site #3	1,646*		1,646	
Tank Site, 126,800 Gal. Steel		1,650	1,650	
Tank Site, 50,000 Gal. Redwood		1,650	1,650	
	4,938	3,701	8,639	
Buildings Pump House #1 Well	533		533	
Wells - #1	936			
#2	741			
#3	1,612			
	3,289		3,289	
Pump Equip. Well #1	1,394	1,315		
Well #2	1,663	1,037		
Gasoline Booster		254		
	3,057	2,606	5,663	
Pipe Mains - Prior to 10-15-55	31,673			
Subsequent to 10-15-55		12,351		
	31,673	12,351	44,024	
Service and Meters	332			
Meters	937	2,900		
	1,269	2,900	4,169	
Tanks - Storage -126,800 Gal. Steel		7,289		
Storage - 50,000 Gal. Rdwd.	2,980			
Pressure - Westmont #1		1,043		
Pressure - Well #1	332			
Pressure - Well #2	333			
	3,645	8,332	11,977	
Tools	142	159	301	
Materials and Supplies	90		90	
Office Equipment		45	45	
Organization Expense		1,734	1,734	
Liabilities				(7,550)
	48,636	31,828	80,464	
Total other Assets from Col. 3				80,464
Base for Stock Issue				75,261

*Substitutes applicant's cost of \$1,646 for each site.
(Red Figure)