

Decision No. 56393

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
AZUSA VALLEY WATER COMPANY,  
a Corporation,

Application No. 39721

For Authority to issue 5,116 shares  
of Common Stock in exchange for  
property.

O P I N I O N

In this application Azusa Valley Water Company seeks authorization to issue 5,116 shares of its no par common stock in payment for properties to be purchased from The Azusa Irrigating Company.

Applicant was organized on January 25, 1952, and is engaged in supplying water as a public utility in an area of approximately 5,000 acres in unincorporated sections of Los Angeles County south and west of the City of Azusa and in portions of the Cities of Covina and West Covina. It obtains its supply of water from its own wells and by purchase from other companies, principally from The Azusa Irrigating Company, a mutual corporation which owns all of applicant's outstanding stock. For the year 1956, according to its annual report, it pumped 162,656,175 cubic feet of water from its wells and it purchased 158,535,539 cubic feet.

In financial statements filed with the Commission, Azusa Valley Water Company has reported its operating revenues at \$470,937 in 1956 and at \$519,888 in 1957, and its net profit at \$64,400 during 1956 and at \$51,881 during 1957. In 1957, it reported the cost of

purchased water at \$89,723 as compared with pumping expenses of \$35,473. Applicant's financial position as reflected by its balance sheet of December 31, 1957, is indicated in the following tabulation:

<u>Assets</u>	
Fixed capital less depreciation	\$2,961,470
Other investments	55
Current assets -	
Cash and deposits	\$217,812
Accounts receivable	25,006
Material and supplies	20,021
Prepayments	<u>27,551</u>
Total current assets	290,390
Unamortized debt discount and expense	<u>27,109</u>
Total	<u>\$3,279,024</u>
<u>Liabilities and Capital</u>	
Long-term debt	\$ 755,875
Consumers' advances (less current portion)	959,827
Current liabilities -	
Notes payable	\$ 60,000
Consumers' advances (for 1956)	23,158
Consumers' advances (for 1957)	90,236
Accounts payable	36,475
Accrued liabilities	41,442
Estimated income tax	49,962
Sinking fund payment	<u>11,625</u>
Total current liabilities	312,898
Contributions	78,364
Preferred stock	513,800
Common stock and surplus	<u>658,260</u>
Total	<u>\$3,279,024</u>

The outstanding long-term debt, originally in the total amount of \$775,000, is represented by notes which were issued to The Lincoln National Life Insurance Company under a loan agreement providing for a total credit of \$1,000,000. The company now desires to draw down the remaining \$225,000 of the credit in order to pay its outstanding short-term notes and certain consumers' advances, and to finance the cost of water works facilities, but, under the terms of the loan agreement, it will not be eligible to make the final draw

down under the loan agreement until it has increased its capital assets. In order to meet this requirement, it now proposes to purchase from The Azusa Irrigation Company certain properties which it reports are necessary in its operations and will be used by it, such properties consisting of four plants and wells, certain distribution mains and a reservoir and other facilities, all having a reported book value, according to Exhibit B, of \$233,905.00, with a related depreciation reserve of \$95,253.18. It has made arrangements to issue 5,116 shares of its no par common stock to its parent company in consideration of the transfer of these properties.

From a review of the application it appears that the proposed transaction will place the ownership of the water production facilities in the hands of the utility, which then will be in a position to pump the water it needs in its operations instead of purchasing the same, and this no doubt will result in savings in operating costs. Under these circumstances we are of the opinion, and so find, that the proposed transaction will not be adverse to the public interest, that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required for the purpose set forth herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. An order will be entered granting the application.

The authorization herein granted is for the issue of stock and is not to be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates. The Commission reserves the right to require applicant to adjust its plant and other accounts with respect to the acquisition of the properties referred to in this proceeding should such adjustment be found appropriate at some future time.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. Azusa Valley Water Company may issue not exceeding 5,116 shares of its common stock on or before June 30, 1958, for the purpose set forth in this application.

2. Azusa Valley Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup> day of March, 1958.

*Robert E. Mitchell* President  
*Paul J. Lawrence*  
*Mark D. Drake*  
*E. Lynn Fox*  
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 Commissioners