

Decision No. 57234**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Duarte Mutual Water Company)
 and Duarte Domestic Water Company to merge)
 the utility properties of Duarte Domestic)
 Water Company into Duarte Mutual Water)
 Company; to transfer the Certificate of)
 Public Convenience and Necessity of Duarte)
 Domestic Water Company to Duarte Water)
 Company, the surviving and renamed corpo-)
 ration; to establish Duarte Water Company)
 as a public utility water corporation; and)
 of Duarte Water Company to assume the loan)
 obligation of Duarte Domestic Water Company)
 to Pacific Mutual Life Insurance Company,)
 approved in and by Decision No. 46806 on)
 Application No. 32839, subject to modifi-)
 cations herein stated.)

Application No. 40162

OPINION AND ORDER

In this application Duarte Domestic Water Company, a corporation ^{1/}, and Duarte Mutual Water Company, a mutual water company ^{2/}, seek an order of the Commission approving an agreement of merger, permitting the filing of an irrigation rate schedule, and authorizing the execution of a loan agreement and mortgage and the issue of securities.

Domestic was organized December 19, 1949, and by Decision No. 46806, dated March 4, 1952, in Application No. 32829, was granted a certificate of public convenience and necessity to construct and operate a public utility water system. Records of this Commission show that as of the end of 1957 Domestic served approximately 4,800 customers. Mutual was organized on April 26, 1947, for the purpose of supplying irrigation and some incidental domestic water to the farm lands in the vicinity of the community of Duarte, Los Angeles County. The application states that Mutual is presently serving

^{1/} Hereinafter sometimes referred to as Domestic.

^{2/} Hereinafter sometimes referred to as Mutual.

approximately 80 irrigation customers. Mutual's balance sheet as of December 31, 1957, Appendix "C" attached to the application, indicates that it is the sole stockholder of Domestic. Mutual and Domestic have identical officers and directors.

The terms and conditions of the proposed merger are set forth in the document entitled "Agreement of Merger", a copy of which is attached to the application as Appendix "A". Under the terms of the agreement, Domestic will be merged into Mutual. Its shares of stock will be cancelled and its separate existence will be terminated. Mutual, as the surviving corporation, will succeed to the certificate, rights, property, other assets and business, and the liabilities, of Domestic, will convert its operations from a nonprofit corporation to a profit corporation, and will change its name to Duarte Water Company. As Duarte Water Company it will adopt the rates of Domestic now on file with the Commission, will file a new schedule of rates covering irrigation service, and will reissue to its shareholders fully paid, nonassessable shares in exchange for its presently held shares which are subject to assessment. In addition, it will renegotiate the present indebtedness of Domestic and will execute a new loan agreement, mortgage and note in the principal amount of \$290,000.

The application states that the integration through merger of Domestic and Mutual will create a more stable organization, will eliminate intercorporate transactions and duplications, with resulting economy, and will place Duarte Water Company, the surviving corporation, in a better position to serve new and existing customers within its service area.

Applicants state that they do not here contend that the resulting book value of the stock of the surviving corporation is determinative of the rate base of the surviving corporation. Such a determination is alleged to be a matter that should be ascertainable in an appropriate proceeding where rates are an issue.

The irrigation rate schedule to be filed will establish the rates and charges presently in effect for customers of Mutual.^{3/} As shown on Exhibit "C" attached to the application, Mutual's profit and loss statement for the 12 months ended December 31, 1957, the revenue derived from this rate schedule for the year 1957 was \$12,132.62. The rates provide for a quantity charge of 2½ cents per inch-hour for gravity service and 4 cents per inch-hour for water supplied under pressure. For gravity service a minimum charge of \$3.50 per turn on is proposed, and for pressure service the proposed minimum charge is \$4.50 per month. These charges appear reasonable and will be authorized.

By Decision No. 46806, this Commission authorized Domestic to execute a loan agreement and mortgage with Pacific Mutual Life Insurance Company, as lender, to cover an indebtedness of \$290,000 with interest at 3 per cent per annum. As of December 1, 1957, said note had been paid down to \$237,800. Applicants request authority for the surviving corporation under the name of Duarte Water Company to execute a new loan agreement and mortgage with Pacific Mutual Life Insurance Company, as lender, with respect to the outstanding indebtedness of \$237,800. Copies of the loan agreement and the promissory note are attached to the application as Appendix "F". The proposed new note is to bear interest at the rate of 5 per cent per annum, payable semiannually, and will mature on December 1, 1975.

The action taken herein shall not be construed as a finding of the value of the water properties herein authorized to be merged and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

^{3/} As clarified by counsel for applicants in a letter dated July 15, 1958.

The Commission has considered the above-entitled application and is of the opinion, and so finds, that the proposed merger will not be adverse to the public interest; that the money, property or labor to be procured or paid for through the issue of the securities herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; that a public hearing is not necessary and that the application should be granted; therefore,

IT IS HEREBY ORDERED that:

1. Duarte Domestic Water Company, a corporation, may on or after the effective date hereof and on or before January 31, 1959, merge with Duarte Mutual Water Company, the latter to be the surviving corporation, such merger to be substantially in accordance with the terms and conditions set forth in the document entitled "Agreement of Merger" attached to the application as Appendix "A", and thereupon the surviving corporation, to be renamed Duarte Water Company, shall operate as a public utility water corporation. Applicants may carry out the terms of said agreement.

2. Duarte Water Company, on or after the effective date hereof and on or before June 30, 1959, may reissue certificates representing its shares of stock in exchange for certificates presently outstanding, such reissue to be in accordance with the terms of said Agreement of Merger.

3. Duarte Water Company, on or after the effective date hereof, and on or before January 31, 1959, may issue a note to Pacific Mutual Life Insurance Company in the principal amount not exceeding \$237,800 to replace existing indebtedness, and may execute a loan agreement and a mortgage of its water properties to secure payment of said note.

4. Duarte Water Company shall file with this Commission a report of the issue of said note as required by General Order No. 24-A which order in so far as applicable is made a part of this order.

5. Within five days after the date of actual merger, and in accordance with the procedure prescribed by General Order No. 96,

a. The rates and rules of Duarte Domestic Water Company, now on file with this Commission, shall be refiled under the name of Duarte Water Company, or in lieu of such refileing the latter may file a notice of adoption of said presently filed rates and rules. No increases in the presently filed rates and rules shall be made unless otherwise properly authorized by this Commission.

b. Duarte Water Company is authorized and directed to file in quadruplicate with this Commission the schedule of rates shown in Appendix A attached hereto. Such rate schedule shall become effective upon five days' notice to the Commission and to the public.

6. Duarte Water Company, within thirty days after the date of actual merger, shall file four copies of a tariff service area map acceptable to this Commission and in accordance with the procedure prescribed by General Order No. 96. Such tariff service area map shall become effective upon not less than five days' notice to the Commission and to the public after filing as hereinabove provided.

7. Duarte Water Company, within forty days after the date of actual merger, shall file four copies of a comprehensive map drawn to an indicated scale of not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the source of water supply and distribution facilities, and the locations of its various water system properties.

8. If the authority herein granted is exercised, Duarte Domestic Water Company shall, within thirty days thereafter, notify this Commission in writing of the date of the merger herein authorized and of its compliance with the conditions hereof and shall file a certified copy of the Agreement of Merger as actually executed.

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

Dated at San Francisco, California, this 26th day of August, 1958.

E. L. Fox
President
W. E. Mitchell
W. H. Dool
Herbert J. J. J. J.
Commissioners

APPENDIX A

Schedule No. 3

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation water service furnished to premises two acres in area or greater.

TERRITORY

The unincorporated community of Duarte and vicinity, Los Angeles County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
Gravity Service	
For each inch-hour	\$0.025
Pressure Service	
For each inch-hour04
Minimum Charge:	
Pressure Service	4.50
	<u>Per Turn On</u>
Gravity Service	\$3.50

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.