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ORIGINAL

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the Southern California Water Company for an order (a) authorizing the issuance of common stock, (b) authorizing the acquisition of capital stock of Delmann Water Company, (c) authorizing the merger of Delmann Water Company into Southern California Water Company, and (d) granting a certificate of public convenience and necessity to Southern California Water Company.

Application No. 45378  
Filed April 24, 1963

O P I N I O N

In this application, Southern California Water Company reports that it proposes to acquire the outstanding shares of stock of Delmann Water Company and thereafter to cause the dissolution of Delmann Water Company by merger or other proceedings. The two corporations seek the approval of the Commission to carry out the proposed program.

Delmann Water Company is engaged in business as a public utility water corporation. It owns a certificate of public convenience and necessity granted by the Commission by Decision No. 45945, dated July 10, 1951, in Application No. 32324, which authorizes the operation of a public utility water system in an area comprising approximately 55 acres and

including Tracts Nos. 3732 and 1741 in San Bernardino County. According to its latest annual report, it had 608 active service connections at the end of 1962.

It appears that the sole shareholder of the stock of Delmann Water Company, which had a reported book value of \$28,525 as of December 31, 1962, is desirous of disposing of his holdings and has made arrangements to exchange his shares of Delmann Water Company's stock for shares of common stock of Southern California Water Company at \$20.50 a share,<sup>1/</sup> the total number of shares to be determined as set forth in the exchange agreement. It is presently estimated that 1,705 shares of Southern California Water Company will be required to effect the exchange. Southern California Water Company proposes to charge the excess of the consideration over the book value of shares to be acquired by it to Account No. 100-5, Utility Plant Acquisition Adjustments.

Southern California Water Company is operating, among other places, in close proximity to the territory of Delmann Water Company. Upon acquiring the Delmann Water Company's shares, it desires to consolidate its operations and to that end it is proposed that Delmann Water Company

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On May 7, 1963, the common shares of Southern California Water Company were quoted on the over-the-counter market at 19½ bid, 21½ asked.

will be merged into or otherwise consolidated with Southern California Water Company and the latter, as the surviving corporation, will succeed to all the assets and liabilities of Delmann Water Company and will continue the public service operations. Assertedly, the proposed transactions will improve service conditions and will result in savings in operating expenses. Southern California Water Company requests that there be granted to it a certificate of public convenience and necessity authorizing it to render service in the area now served by Delmann Water Company.

We have reviewed this matter and are of the opinion, and so find, that -

1. A public hearing is not necessary.
2. The acquisition of shares of stock by Southern California Water Company and the transfer of the properties and operations of Delmann Water Company to Southern California Water Company will not be adverse to the public interest.
3. The money, property or labor to be procured or paid for by the issue by Southern California Water Company of the shares of stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
4. The certificate of public convenience and necessity heretofore granted to Delmann Water Company by Decision No. 45945 should be canceled and concurrently therewith a new certificate should be issued to Southern California Water Company.

5. Southern California Water Company should refile, as a part of its consolidated tariffs, the general metered service rates now on file for Delmann Water Company and apply those rates, together with its own system-wide rates and rules, to the area certificated herein. Any increases in charges or more restrictive conditions resulting from the application of said system-wide rates and rules are justified.

An appropriate order will be entered in accordance with the foregoing findings. The certificate herein granted is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

The authorization herein granted to acquire shares, to merge properties and to issue stock shall not be construed to be a finding of the value of the properties referred to herein nor as indicative of amounts to be included in any future proceeding for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company may acquire and hold all the presently outstanding shares of stock of Delmann Water Company and in exchange therefor may issue

its own shares of common stock in an amount, not to exceed 1,800 shares, determined as set forth in the exchange agreement filed as Exhibit B in this proceeding.

2. Delmann Water Company may merge or consolidate with or be dissolved into Southern California Water Company and in connection therewith may convey all its property to Southern California Water Company.

3. Southern California 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.

4. On or before the date of actual transfer of properties, Delmann Water Company shall refund all deposits, if any, which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and shall become the obligation for refund of Southern California Water Company.

5. On or before the date of actual transfer of properties, Delmann Water Company shall transfer all advances for construction, if any, held by it to Southern California Water Company, and the latter shall assume the obligation for repayment of such advances. Applicants, within fifteen days after the date of transfer, shall jointly file with this Commission a certified copy of an appropriate instrument

showing the names of all persons or corporations in whose favor such obligations exist and the amounts thereof.

6. On or before the date of actual transfer of properties, Delmann Water Company shall transfer and deliver to Southern California Water Company all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and said corporation shall receive and preserve such records, memoranda and papers.

7. The general metered service rates of Delmann Water Company now on file with this Commission shall be refiled within five days after the date of actual transfer under the name of Southern California Water Company in accordance with the procedure prescribed by General Order No. 96-A, together with such revised and additional tariff sheets including tariff service area maps acceptable to the Commission, as are necessary to provide for the application of Southern California Water Company's present rules and system-wide rates for construction and other flat rate service, fire sprinkler service and service to company employees, to the area certificated herein. Such tariff sheets shall become effective upon five days' notice to the public and this Commission after filing as hereinabove provided.

8. If the authority herein granted is exercised, Delmann Water Company, within thirty days thereafter, shall 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.

9. Upon compliance with all of the conditions of this order, Delmann 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.

10. The certificate of public convenience and necessity granted Delmann Water Company by Decision No. 45945, dated July 10, 1951, in Application No. 32324, is hereby canceled and concurrently therewith a certificate of public convenience and necessity is hereby granted to Southern California Water Company to construct and operate a public utility water system for the production, distribution and sale of water in Tracts Nos. 3732 and 1741 in the County of San Bernardino.

11. The authority herein granted shall become effective twenty days after the date hereof.

Dated at San Francisco, California,  
this 4th day of June, 1963.

[Signature] President  
[Signature] Acting President  
[Signature]  
[Signature]  
[Signature] Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.