

**ORIGINAL**

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

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application  
of:

EAST PASADENA WATER CO., LTD., a  
California Corporation, and  
CALIFORNIA-MICHIGAN LAND AND WATER  
COMPANY, a California Corporation  
for ORDERS AUTHORIZING:

1. CALIFORNIA-MICHIGAN LAND AND  
WATER COMPANY to sell and EAST  
PASADENA WATER CO., LTD. to  
Purchase the Water System and  
Facilities owned and Operated  
by CALIFORNIA-MICHIGAN LAND  
AND WATER COMPANY Pursuant to  
Sections 851-853 of the Public  
Utilities Code; and
2. EAST PASADENA WATER CO., LTD.  
to issue stock in consideration  
of such purchase, and to assume  
certain liabilities pursuant to  
Sections 816-830 of the Public  
Utilities Code; and
3. EAST PASADENA WATER CO., LTD.  
to borrow Money and Issue  
Evidences of Indebtedness  
Pursuant to Sections 816-830  
of the Public Utilities Code;  
and
4. CALIFORNIA-MICHIGAN LAND AND  
WATER COMPANY to be declared  
exempt from the Jurisdiction  
of the Commission upon the  
consummation of the above  
transaction.

Application No. 45860  
Filed October 11, 1963

O P I N I O N

This is an application for an order of the Commission  
(1) authorizing California-Michigan Land and Water Company to

sell and transfer its water system and facilities to East Pasadena Water Co., Ltd., (2) authorizing East Pasadena Water Co., Ltd., in acquiring said system and facilities, to assume certain liabilities and to issue 450 shares of its no par common stock, (3) authorizing East Pasadena Water Co., Ltd. to enter into a loan agreement, to execute a mortgage and to issue a note in the principal amount of \$75,000, and (4) declaring California-Michigan Land and Water Company to be a nonutility company and exempt from the jurisdiction of the Commission upon the consummation of the transfer.

East Pasadena Water Co., Ltd. is a California corporation rendering public utility water service in an unincorporated area known as East Pasadena in Los Angeles County, it having acquired its original system pursuant to authority granted by Decision No. 23475, dated March 9, 1931, in Application No. 17113. Its reported number of active service connections at December 31, 1962, amounts to 152, none of which are for fire hydrants.

California-Michigan Land and Water Company is a California corporation providing water service as a public utility in an unincorporated area in the vicinity of East Pasadena and Arcadia in Los Angeles County, which area adjoins that of its wholly-owned subsidiary, East Pasadena Water Co., Ltd., the former having acquired a certificate of public convenience and necessity by virtue of Decision No. 407, dated January 15, 1913, as amended and supplemented by Decision No. 419, dated January 23, 1913, in Application No. 273. Its

reported number of active service connections, excluding fire connections, at December 31, 1962, amounts to 2,221.

In addition to operating a water department, California-Michigan Land and Water Company operates a land department, and it desires to separate the two departments by transferring its water operations, together with related assets and liabilities, to its wholly-owned subsidiary, East Pasadena Water Co., Ltd., in exchange for 450 shares of the latter corporation's no par common stock. As a separate transaction, East Pasadena Water Co., Ltd. proposes to execute a mortgage and to issue a 5-3/4% note due April 1, 1978, in favor of Pacific Mutual Life Insurance Company, in the principal amount of \$75,000 for the purpose of obtaining funds for the following:

New office building	\$44,000
Security First National Bank - 6% demand note	10,000
Security First National Bank - 90-day note	6,000
Mr. Richard C. Goodspeed - 6% demand note	10,000
Reorganization and loan expenses	<u>5,000</u>
Total	<u>\$75,000</u>

The Commission has considered this matter and is of the opinion, and finds, that (1) there will be no change in management or rates as the result of the transfer; (2) the sale and transfer to East Pasadena Water Co., Ltd. of the water operations and related assets and liabilities of California-Michigan Land and 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 of the shares of stock and note herein authorized is reasonably required for the purposes specified herein; and (4) such purposes, except as otherwise authorized for note proceedings, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. In issuing our order herein, we place applicants on notice that we do not regard the number of shares outstanding, the total stated value of the shares nor the dividends paid as measuring the return East Pasadena Water Co., Ltd. should be allowed to earn on its investment in plant and that the approval herein given is not to be construed as a finding of value of its stock or properties nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California-Michigan Land and Water Company may sell and transfer to East Pasadena Water Co., Ltd. its water department operative rights and properties, subject to outstanding liabilities, and East Pasadena Water Co., Ltd. may purchase and acquire said operative rights and properties

and, in payment, may assume outstanding liabilities and may issue not to exceed 450 shares of its no par common stock, all in accordance with the terms and conditions of an agreement in the same form, or in substantially the same form, as that attached to the application as Exhibit G.

2. East Pasadena Water Co., Ltd., for the purposes set forth in the application, may execute a loan agreement and mortgage, and may issue a note in the principal amount of not to exceed \$75,000, all in the same form, or in substantially the same form, as those attached to the application.

3. East Pasadena Water Co., Ltd. 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, California-Michigan Land and 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 East Pasadena Water Co., Ltd.

5. On or before the date of actual transfer, California-Michigan Land and Water Company shall transfer all advances for construction, if any, held by it to East Pasadena Water Co., Ltd. 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, California-Michigan Land and Water Company shall transfer and deliver to East Pasadena Water Co., Ltd. all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and the latter shall receive and preserve such records, memoranda and papers.

7. If the authority herein granted to transfer properties is exercised, East Pasadena Water Co., Ltd., within thirty days thereafter, shall notify the Commission in writing of the date of completion of such transfer.

8. East Pasadena Water Co., Ltd. shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed tariff schedules of California-Michigan Land and Water Company.

9. The rates, rules and regulations of California-Michigan Land and Water Company now on file with the Commission shall be refiled within thirty days after the effective date of the transfer, under the name of East Pasadena Water Co., Ltd., in accordance with the requirements of General Order No. 96-A, except that East Pasadena Water Co., Ltd. may withdraw such of California-Michigan Land and Water Company's rules and standard forms as are substantially identical with East Pasadena Water

Co., Ltd.'s rules and standard forms, and withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules of California-Michigan Land and Water Company:

10. Upon compliance with the terms and conditions of the transfer, California-Michigan Land and Water Company shall stand relieved of all further public utility obligations in connection with the operations of the public utility water system herein authorized to be transferred and, effective upon consummation of said transfer, it is hereby declared to be a nonutility company exempt from the jurisdiction of this Commission.

11. Within sixty days after the consummation of the transfer, East Pasadena Water Co., Ltd. shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

12. This order shall become effective when East Pasadena Water Co., Ltd. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is

\$75. Any authority herein granted and not exercised will expire on March 31, 1964.

Dated at San Francisco, California, this 12<sup>th</sup>  
day of NOVEMBER, 1963.

*William D. ...*  
President

*...*  
*...*

*George L. Grover*

*Fredrick B. Holdhoff*  
Commissioners

