

ORIGINAL

Decision No. 66478

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of S M WATER COMPANY and CALIFORNIA CONSOLIDATED WATER COMPANY, INC., to sell and buy utility plant; to transfer Certificate of Public Convenience and Necessity; and for authority to issue common stock.)))))))	Application No. 45854 (Filed October 11, 1963)
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O P I N I O N

This is an application for an order of the Commission (1) authorizing S M Water Company (seller) to sell and transfer its water system to California Consolidated Water Company, Inc. (purchaser) and (2) authorizing purchaser to issue and sell \$70,000 par value of its common stock.

Purchaser recently commenced operating as a public utility water corporation, having acquired the water systems of Miraflores Water Company, Incorporated, and Orcutt Town Water Company pursuant to authority granted by Decision No. 65710, dated July 16, 1963, and Decision No. 66319, dated November 19, 1963, respectively. Both of these water systems are located near the City of Santa Maria in Santa Barbara County.

Seller was granted a certificate of public convenience and necessity to construct and operate its public utility water system within certain specified territory near the City of Santa Maria by Decision No. 58645, dated June 23, 1959, in

Application No. 40623.

Purchaser proposes to acquire seller's water system with funds to be derived through the issuance of \$70,000 par value, of its common stock and through short-term borrowings. The base purchase price is \$150,000, subject to adjustment, as set forth in the Agreement of Purchase and Sale, dated August 22, 1963, attached as Exhibit A to the application.

Exhibit H attached to the application, sets forth purchaser's pro forma balance sheet at January 1, 1964, reflecting the proposed acquisition and financing arrangements.

Purchaser represents that it proposes to apply to the Commission within approximately six months, for authority to issue bonds or debentures in sufficient amounts to retire any balance of initial short-term indebtedness.

The Commission, having considered this matter, is of the opinion a hearing is not necessary, and finds that:

1. There will be no change in rates as a result of the transfer.
2. The sale and transfer of the water system considered herein 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 herein authorized, is reasonably required for the purpose specified herein, and such purpose is not in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings, we conclude that the application should be granted, subject to the conditions

contained in the following order.

In issuing our order herein, we place California Consolidated Water Company, Inc., and its shareholder, or shareholders, on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividends paid as measuring the return said corporation should be allowed to earn on its investment in plant, and that the authorization herein given is not to be construed as a finding of value of said corporation's stock or properties, nor as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates. The action taken herein does not constitute a finding of the value or original cost of the properties authorized to be transferred.

With respect to capital structure, Exhibit H indicates that with completion of the acquisition authorized herein, purchaser will have a ratio of combined debt and advances for construction of approximately 72 percent and equity capital of 28 percent of total capitalization. California Consolidated Water Company, Inc., is hereby placed on notice that the Commission will expect that appropriate steps will be taken to improve its capital structure to a more sound and acceptable ratio of not more than 60 percent combined debt and advances, and at least 40 percent equity capital.

O R D E R

IT IS ORDERED that:

1. S M Water Company may sell and transfer to California Consolidated Water Company, Inc. its public utility water system properties, including its certificate of public convenience and necessity, in accordance with the terms and conditions of the agreement attached to the application as Exhibit A.

2. California Consolidated Water Company, Inc., for the sole purpose of acquiring said certificates and properties of S M Water Company, and not for the purpose of making payments of any nature whatsoever relating to advances for construction, or for any other than the first-mentioned purpose, may issue and sell, at par, not to exceed \$70,000 par value of its common stock.

3. California Consolidated Water Company, Inc., shall account for the acquisition of the properties herein authorized to be transferred, in accordance with the requirements of Plant Instruction 4 of the Uniform System of Accounts for Water Utilities (Class A, Class B and Class C), and within sixty days after the consummation of the transfer, it shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

4. California Consolidated Water Company, Inc. 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.

5. On or before the date of actual transfer, S M Water Company shall refund all deposits, if any, which customers are entitled to have refunded. Any unrefunded deposits shall be trans-

ferred to and shall become the obligations for refund of California Consolidated Water Company, Inc.

6. On or before the date of actual transfer, S M Water Company shall transfer all advances for construction held by it to California Consolidated Water Company, Inc., 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.

7. On or before the date of actual transfer, S M Water Company shall transfer and deliver to California Consolidated Water Company, Inc., 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.

8. If the authority herein granted to transfer properties is exercised, California Consolidated Water Company, Inc., within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such transfer.

9. California Consolidated Water Company, Inc., shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed tariff schedules of S M Water Company.

10. The rates, rules and regulations of S M 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 California Consolidated Water Company, Inc., in accordance with the requirements of General Order No. 96-A, except that California

Consolidated Water Company, Inc., may withdraw such rules and standard forms of S M Water Company as are substantially identical with the rules and standard forms of California Consolidated Water Company, Inc., and withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules of S M Water Company.

11. Upon compliance with the terms and conditions hereof, S M 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.

12. On or before the end of the third month, after the consummation of the transfer as herein authorized, California Consolidated Water Company, Inc. shall cause to be filed with the Commission, in such form as it may prescribe, an annual report, or reports, covering the period commencing with the first day of the current year to and including the effective date of the transfer.

The effective date of this order shall be the date hereof. Any authority herein granted and not exercised will expire on May 31, 1964.

Dated at San Francisco, California, this 17th day of DECEMBER, 1963.

William M. Beund
President
George E. ...
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George T. Grover
Fredrick B. Holbrook
Commissioners