

ORIGINAL

Decision No. 67374

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

NEW CALIFORNIA WATER & TELEPHONE COMPANY,  
a corporation, and

CALIFORNIA WATER & TELEPHONE COMPANY, a  
corporation,

for an Order authorizing:

A. California Water & Telephone Company  
to transfer and New California Water &  
Telephone Company to receive substantially  
all of the assets of California Water &  
Telephone Company; and

B. California Water & Telephone Company  
to withdraw from the telephone and water  
utility business; and

C. New California Water & Telephone  
Company to engage in and carry on the  
telephone and water utility business of  
California Water & Telephone Company; and

D. New California Water & Telephone  
Company to assume indebtedness and other  
obligations of California Water &  
Telephone Company; and

E. New California Water & Telephone  
Company as successor to the properties  
of California Water & Telephone Company  
to execute and deliver indentures  
supplemental to and assume the  
obligations of the First Mortgage Bond  
Indenture and the Indentures under which  
the Debentures of California Water &  
Telephone Company are issued.

Application No. 46489.  
Filed April 9, 1964

Bacigalupi, Elkus & Salinger, by Claude N. Rosenberg and  
Charles de Y. Elkus, Jr., for applicants;  
Assemblyman Tom Carrell, by Russell FitzPatrick, interested  
party;

R. W. Russell, Chief Engineer and General Manager, Department  
of Public Utilities and Transportation, by K. D. Walpert,  
for City of Los Angeles, interested party;

Edward L. Blincoe, in pro. per. and for Utility User's League  
of California, interested parties; and  
Sidney J. Webb, for the Commission staff.

O P I N I O N

California Water & Telephone Company and New California Water & Telephone Company have filed this application for an order of the Commission granting authority for the former to transfer its public utility properties to the latter, and granting certain incidental authority.

A public hearing was held before Examiner Donovan in Los Angeles on May 20, 1964, at which time the matter was taken under submission.

California Water & Telephone Company is a California corporation engaged in the business of (1) rendering public utility telephone service in portions of the Counties of Imperial, Los Angeles, Riverside and San Bernardino; (2) rendering public utility water service in portions of the Counties of Los Angeles, Monterey and San Diego; and (3) serving water under private contract to Del Monte Properties Company in Monterey County.

New California Water & Telephone Company is a California corporation organized on or about March 30, 1964 for the purpose of operating a telephone and water utility business. Pursuant to authority granted by Decision No. 67219, dated May 19, 1964, in Application No. 46636, it issued and sold, at par, all of its outstanding \$1,000 par value of capital stock to California Water & Telephone Company.

California Water & Telephone Company proposes to transfer its utility properties, subject to certain debts and obligations, as a contribution of capital to its wholly owned subsidiary, New California Water & Telephone Company. Such transfer will relieve California Water & Telephone Company of its public utility status and will make possible the consummation of the proposed merger of said company into General Telephone & Electronics Corporation, a nonutility New York corporation.

A pro forma balance sheet of New California Water & Telephone Company giving effect to the proposed transfer on the basis of recorded assets and liabilities of California Water & Telephone Company, as of December 31, 1963, together with the \$1,000 stock issue of New California Water & Telephone Company as obtained from Exhibit B of the application, follows:

Assets

Fixed Capital -		
Water Department	\$ 36,469,899.46	
Telephone Department	110,901,270.64	
General Office	6,292.16	\$147,377,462.26
Less - Reserve for Depreciation		
Water Department	6,233,710.33	
Telephone Department	18,095,640.04	
General Office	1,866.67	24,331,217.04
		<u>123,046,245.22</u>
Construction Work in Progress		714,030.81
Misc. Investments	704,931.17	
Less - Reserve for Depreciation	<u>129,164.94</u>	575,766.23
Special Deposits and Investments		21,590.38
Current Assets		10,117,111.13
Unamortized Discount, Premium and Expense		217,975.35
Other Deferred Charges		<u>727,361.43</u>
Total		<u>\$135,420,080.55</u>

Liabilities

Capital Stock	\$	1,000.00
Capital Surplus		50,514,092.49
Long-term Debt		53,875,000.00
Current Liabilities		14,986,128.29
Service Billed in Advance		541,790.61
Consumers' Advances for Construction		1,906,220.42
Deferred Federal Income Taxes		360,267.02
Contributions in Aid of Construction		2,944,274.09
Corporate Surplus		<u>10,291,307.63</u>
Total		<u>\$135,420,080.55</u>

As justification for the proposed transfer, the record in this proceeding shows that upon consummation of the merger of California Water & Telephone Company into General Telephone & Electronics Corporation the financial, technical and research support and assistance of the latter would be available to its then wholly owned subsidiary, New California Water & Telephone Company. In the telephone operations, economies would be effected by joint use of management and financial facilities,

as well as data processing equipment for billing purposes, by New California Water & Telephone Company and General Telephone Company of California, which would operate in certain contiguous territories, since both companies would be subsidiaries of General Telephone & Electronics Corporation. All operational employees of California Water & Telephone Company would be transferred to New California Water & Telephone Company without loss of seniority and with full credit for all purposes for all employment with California Water & Telephone Company. All of the present properties of California Water & Telephone Company, both water and telephone, would be retained and operated by New California Water & Telephone Company, and the testimony shows that General Telephone & Electronics Corporation has no present intention of causing New California Water & Telephone Company to dispose of any portion of its properties.

The record contains statements of Assemblyman Tom Carrell, Edward L. Blincoe and Utility User's League of California, expressing concern primarily as to the possible ultimate effect on rates which might result from the proposed transfer. The present proceeding involves the transfer of all the public utility properties of one corporation to another corporation. Any subsequent transfer of these public utility properties would first require authorization

by this Commission under Section 851 of the Public Utilities Code in a future proceeding or proceedings. Moreover, matters concerned with changes in rates, service and financing, for example, are outside the scope of the present proceeding.

Incidental to assuming obligations relating to bonds and debentures of California Water & Telephone Company, New California Water & Telephone Company proposes to execute two supplemental indentures which would have the effect of substituting the latter for the former in relation to such obligations.

The Commission has considered this matter and finds that: (1) there will be no change in rates or service to the public by virtue of the transfer of the public utility properties of California Water & Telephone Company to New California Water & Telephone Company, and (2) the proposed transfer would not be adverse to the public interest. On the basis of these findings we conclude that the application should be granted. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California Water & Telephone Company may transfer to New California Water & Telephone Company and the latter may record, as a contribution of capital, the acquisition of all the assets, properties, business and operations of every kind and description except the capital stock of the latter, subject to all of the debts and obligations of the former, as set forth in this proceeding.

2. New California Water & Telephone Company may assume all of the debts and obligations of every kind of California Water & Telephone Company, except as set forth in this proceeding.

3. New California Water & Telephone Company may execute and deliver supplemental indentures in the same form, or in substantially the same form, as those filed in this proceeding as Exhibits Nos. 4 and 5.

4. On or before the date of actual transfer, California Water & Telephone 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 New California Water & Telephone Company.

5. On or before the date of actual transfer, California Water & Telephone Company shall transfer all advances for construction held by it to New California Water & Telephone 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, California Water & Telephone Company shall transfer and deliver to New California Water & Telephone Company 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, New California Water & Telephone Company, within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such transfer.

8. New California Water & Telephone Company shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed tariff schedules of California Water & Telephone Company.



9. Upon compliance with the terms and conditions of the transfer, California Water & Telephone Company shall stand relieved of all further public utility obligations in connection with the operations of the public utility water and telephone systems 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.

10. This order shall become effective ten days after the date hereof. Any authority herein granted and not exercised will expire on December 31, 1964.

Dated at San Francisco, California, this 16<sup>th</sup> day of June, 1964.

*Carroll O. Gray* President  
*George T. Thacker*  
*Frederick B. Holdhoff*  
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.