

ORIGINAL

Decision No. 69258

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
of)

CITIZENS UTILITIES COMPANY OF)
CALIFORNIA)

for authorization (1) to acquire)
all of the stock of, and (2) to)
merge with its then wholly-owned)
subsidiaries, and (3) to enter)
into and undertake the public)
utility operations conducted by)
Citizens Suburban Company,)
Parkway Water Co., Royal Oaks)
Water Company, Lincoln Oaks)
Water Co., Inc. and Isleton)
Water Company,)

Application No. 47608
Filed May 25, 1965

and the Application of)

CITIZENS SUBURBAN COMPANY,)
PARKWAY WATER CO.,)
ROYAL OAKS WATER COMPANY,)
LINCOLN OAKS WATER CO., INC., and)
ISLETON WATER COMPANY)

to merge with Citizens Utilities)
Company of California and to be)
relieved of public utility)
obligations.)

O P I N I O N

This is an application for an order of the Commission

(a) authorizing Citizens Utilities Company of California to
acquire all of the outstanding capital stock of Citizens
Suburban Company, Parkway Water Co., Royal Oaks Water Company,
Lincoln Oaks Water Co., Inc., and Isleton Water Company, and

(b) authorizing Citizens Utilities Company of California to merge its then wholly-owned subsidiary companies into it.

Citizens Utilities Company of California, a California corporation, is a public utility engaged in the business of rendering telephone service in various locations in northern California. It also distributes water to consumers situated in parts of Alameda, Sacramento, San Mateo, Santa Cruz, Sonoma and Ventura Counties. All of the company's outstanding capital stock is owned by Citizens Utilities Company, a Delaware corporation.

Citizens Suburban Company, Parkway Water Co., Royal Oaks Water Company, Lincoln Oaks Water Co., Inc., and Isleton Water Company are California corporations operating separate public utility water systems in portions of Sacramento County. Exhibit A, attached to the application, shows that as of January 31, 1965, the combined investment of the five companies in utility plant, after deducting applicable depreciation reserves, amounted to \$3,513,279. The outstanding capital stock of each of the companies is owned by Citizens Utilities Company, the Delaware corporation.

In this proceeding, Citizens Utilities Company of California seeks authority to acquire all of the issued and outstanding capital stock of each of said five companies as a capital contribution from the parent corporation. Upon consummation of such transaction, Citizens Utilities Company

of California proposes to cause each of the five then wholly-owned subsidiaries to be merged into it. The surviving corporation will succeed to all rights and properties, will be responsible for all liabilities, debts and obligations and will adopt the respective tariffs of each subsidiary so merged.

A pro forma balance sheet, giving effect to the proposed merger, is set forth in said Exhibit A and it discloses that the surviving corporation, subject to intercompany eliminations, will transfer to its books of account the balances in the utility plant, depreciation reserve, and other asset and liability accounts of the five companies. It is indicated further that an amount equal to the total par value of the outstanding capital stock of each subsidiary so merged will be credited to the earned surplus account of the surviving corporation in order to reflect the contribution of such capital stock made by the Delaware corporation. It appears that the proposed credit to earned surplus is through inadvertence and that the actual credit will be to capital surplus.

The application shows that Citizens Utilities Company of California would continue to maintain revenue and continuing property records for each of the separate areas now served by the five companies. It further appears that operating expenses would not be recorded separately for each system, but would be kept in a manner which would allow identification of costs applicable to each.

Applicants allege that for purposes of financing, record keeping, technical assistance and personnel administration, the merger will result in economies of operation.

The Commission has considered this matter and finds that the proposed merger would not be adverse to the public interest. On the basis of this finding we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as a finding of the value of the properties to be merged 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. Citizens Utilities Company of California may acquire, as a capital contribution, all of the issued and outstanding stock of Citizens Suburban Company, Parkway Water Co., Royal Oaks Water Company, Lincoln Oaks Water Co., Inc., and Isleton Water Company, and thereafter may cause such corporations to be merged into it.

2. Citizens Suburban Company, Parkway Water Co., Royal Oaks Water Company, Lincoln Oaks Water Co., Inc., and Isleton Water Company may merge into Citizens Utilities Company of California.

3. Citizens Utilities Company of California, as the surviving corporation, may assume all the liabilities and shall undertake the public utility obligations of each subsidiary so merged.

4. Within five days after the effective date of the merger herein authorized, Citizens Utilities Company of California shall file notices of adoption of the presently filed tariff schedules of each company merged into it.

5. The respective tariff schedules of the five subsidiaries so merged, now on file with this Commission, shall be refiled within thirty days after the effective date of the merger under the name of Citizens Utilities Company of California, in accordance with the requirements of General Order No. 96-A, except that Citizens Utilities Company of California may withdraw such of each corporation's rules and standard forms as are substantially identical with those of Citizens Utilities Company of California, and the withdrawal of which will not result in increases in rates or more restrictive conditions than the presently filed tariffs of each respective corporation merged into it.

6. Within sixty days after the consummation of such merger, Citizens Utilities Company of California shall file with the Commission a copy of each journal entry used to record the merger on its books of account. In recording the merger the capital surplus account of the surviving corporation shall be credited with an amount equal to the total par value of the outstanding capital stock of each subsidiary merged.

7. On or before the end of the third month after the consummation of the merger as herein authorized, Citizens Utilities Company of California shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the respective operations of each company merged into it, for the period commencing with the first day of the current year to and including the effective date of the merger.

8. This order shall become effective on the date hereof. Unless exercised, the authority herein granted shall expire on December 31, 1965.

Dated at San Francisco, California,
this 7th day of June, 1965.

Fredrick B. Holcluff
President

[Signature]

George J. Hoover

[Signature]

[Signature]
Commissioners