

**ORIGINAL**

Decision No. 69832

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of (1) CALIFORNIA CITIES WATER COMPANY for authority (a) to acquire and hold shares of common stock of Cowan Heights Water Company; (b) to acquire all of the properties and certificates of convenience and necessity of Cowan Heights Water Company; and (c) to issue the shares of common stock and notes required in connection with the acquisition of such properties.

Application No. 47926  
Filed September 28, 1965

(2) COWAN HEIGHTS WATER COMPANY for authority (a) to discontinue the rendering of water service; (b) to liquidate and to distribute and convey all of its property to California Cities Water Company in liquidation; and (c) to dissolve.

O P I N I O N

This is an application for an order of the Commission authorizing (1) California Cities Water Company to acquire all of the outstanding capital stock of Cowan Heights Water Company; (2) Cowan Heights Water Company to transfer all of its properties to California Cities Water Company and thereafter to discontinue its public utility business; and (3) California Cities Water Company, in acquiring said assets, to assume all of the obligations of Cowan Heights Water Company and to issue \$150,000 aggregate par value of its common stock.

California Cities Water Company, a California corporation, is a public utility owning and operating water properties in and about the City of San Dimas, Los Angeles County. Cowan Heights Water Company is a California corporation engaged as a public utility in the operation of water properties in an unincorporated area near the City of Orange in Orange County. Both utilities are under the jurisdiction of this Commission and are wholly-owned subsidiaries of Consolidated Water Company, a Delaware corporation.

The application shows that Consolidated Water Company acquired all of the capital stock of Cowan Heights Water Company at a cost of \$199,967.25 and also advanced to the subsidiary an amount of \$100,734.25, which is evidenced by a short-term 5% note receivable from said subsidiary. The parent corporation has offered to sell said capital stock and note to California Cities Water Company for the sum of \$300,701.50. In payment therefor, the purchaser proposes (a) to issue, at par, 15,000 shares of its common stock of the par value of \$10 per share, and (b) to treat the balance of \$150,701.50 as an unsecured indebtedness to be represented by a ninety-day note or an open account payable to the seller, bearing interest at the rate of 5% per annum. Upon acquisition of the Cowan Heights Water Company stock, the buyer, as sole stockholder, plans to cause said utility to be liquidated.

Cowan Heights Water Company, in the course of the liquidation, would transfer all of its assets, including its certificates of public convenience and necessity, to California Cities Water Company. A pro forma balance sheet, dated as of

July 31, 1965, and related journal entries giving effect to the proposed transaction are attached to the application as Exhibit No. 3. According to said exhibit, Cowan Heights Water Company assets, having a net book value of \$223,696, will be transferred to California Cities Water Company and an amount of \$13,765 will be credited to the latter's utility plant acquisition adjustment account.

The Commission has considered this matter and finds that: (1) the proposed stock and note acquisition and transfer of properties would not be adverse to the public interest; (2) there will be no change in rates as a result of the transfer; (3) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein; and (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place California Cities Water Company and its shareholder 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 the company 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 the value of the company's stock or properties 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 Cities Water Company may acquire and hold all of the issued and outstanding capital stock of Cowan Heights Water Company, together with the \$100,734.25 short-term 5% note obligation of said company.

2. Cowan Heights Water Company may transfer and convey all of its assets and properties, including its certificates of public convenience and necessity, to California Cities Water Company.

3. California Cities Water Company may acquire the assets and assume the obligations of Cowan Heights Water Company, and thereafter shall undertake the operation of said public utility water system.

4. For the purpose set forth in the application, California Cities Water Company may issue and deliver not to exceed \$150,000 aggregate par value of its common stock.

5. California Cities Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. California Cities Water Company shall account for the acquisition of the properties herein authorized to be transferred in accordance with the requirements of Plant Instruction No. 4 of the Uniform System of Accounts for Water Utilities (Class A, Class B, and Class C). 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.

7. On or before the date of actual transfer, Cowan Heights 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 California Cities Water Company.

8. On or before the date of actual transfer, Cowan Heights Water Company shall transfer all advances for construction held by it to California Cities Water Company and the latter shall assume the obligation for repayment of such advances. Applicants, within thirty days after the date of transfer, shall file jointly 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.

9. On or before the date of actual transfer Cowan Heights Water Company shall transfer and deliver to California Cities Water 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.

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

11. California Cities Water Company shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed tariff schedules of Cowan Heights Water Company.

12. The rates and rules of Cowan Heights 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 Cities Water Company in accordance with the requirements of General Order No. 96-A, except that California Cities Water Company may withdraw such rules and standard forms of Cowan Heights Water Company as are substantially identical with the rules and standard forms of California Cities Water Company and the withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules.

13. On or before the end of the third month after the consummation of the transfer as herein authorized, California Cities Water Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of Cowan Heights Water Company for the period commencing with the first day of the current year to and including the effective date of the transfer.

14. Upon compliance with the terms and conditions of the transfer, Cowan Heights Water Company shall stand relieved of all further public utility obligations in connection with the operations of the water system herein authorized to be transferred and thereafter may dissolve.

15. The effective date of this order is the date hereof. Any authority herein granted and not exercised will expire March 31, 1966.

Dated at San Francisco, California, this 26<sup>th</sup> day of OCTOBER, 1965.

Fredrick B. Holbrook  
President

John E. [unclear]

George T. Grover

[unclear]

Commissioners

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