

ORIGINAL

Decision No. 69948

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of (1) CALIFORNIA CONSOLIDATED)
WATER COMPANY, INC. for authority)
(a) to acquire and hold shares)
of common stock of Evergreen)
Service Company; (b) to acquire)
all of the properties and certifi-)
cates of convenience and)
necessity of Evergreen Service)
Company; and (c) to issue the)
shares of common stock and notes)
required in connection with the)
acquisition of such properties.)
(2) EVERGREEN SERVICE COMPANY)
for authority (a) to discontinue)
the rendering of water service;)
(b) to liquidate and distribute)
and convey all of its property)
to California Consolidated Water)
Company, Inc. in liquidation;)
and (c) to dissolve.)

Application No. 47806
Filed August 12, 1965

O P I N I O N

This is an application for an order of the Commission authorizing (1) California Consolidated Water Company, Inc. to acquire and hold all of the outstanding capital stock of Evergreen Service Company; (2) Evergreen Service Company to transfer all of its properties to California Consolidated Water Company, Inc., and thereafter to discontinue its public utility business; and (3) California Consolidated Water Company, Inc., in acquiring

said assets, to assume all of the obligations of Evergreen Service Company and to issue additional capital stock.

California Consolidated Water Company, Inc. is a California corporation engaged in the operation of public utility water systems located in Santa Barbara and San Luis Obispo Counties. Evergreen Service Company, a California corporation, operates a public utility water system near the City of Santa Maria in Santa Barbara County, pursuant to the certificate of public convenience and necessity granted by Decision No. 48083, dated December 22, 1952, in Application No. 33745. Both utilities are under the jurisdiction of this Commission and are wholly owned subsidiaries of Consolidated Water Company, a Delaware corporation.

According to the application, Consolidated Water Company acquired all the capital stock of Evergreen Service Company at a cost of \$117,796, and also advanced an additional sum of \$72,532 to the subsidiary in exchange for a five percent note. The parent corporation has offered to sell said capital stock to California Consolidated Water Company, Inc. for \$117,796, subject to appropriate regulatory approval. A copy of the letter containing the offer and acceptance is attached to the application as Exhibit No. 5.

California Consolidated Water Company, Inc., in addition to buying the stock, contemplates discharging the

short-term note obligation of \$72,532. In payment therefor, the purchaser proposes (a) to issue, at par, 7,000 shares of its common stock of the par value of \$10 per share, and (b) to treat the balance of \$120,328 as an unsecured indebtedness which will be evidenced by a ninety-day note or an open account payable to the seller and bearing an interest rate of five percent per annum. At the time of filing the application, the purchaser contemplated issuing \$100,000 aggregate par value of its common stock and incurring a \$90,328 short-term indebtedness. Subsequently, the company altered its plans so as to reduce the amount of proposed stock by an aggregate par value of \$30,000, and to increase the short-term indebtedness correspondingly. Upon acquisition of the Evergreen Service Company stock, the buyer, as sole stockholder, proposes to liquidate said utility.

Evergreen Service Company, in the course of such liquidation, will transfer and convey all of its assets and properties, including its certificate of public convenience and necessity, to California Consolidated Water Company, Inc., and thereafter the transferor intends to discontinue rendering water service and to dissolve.

The Commission has considered this matter and finds that: (1) the proposed stock acquisition and transfer of property will 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 \$70,000 aggregate par value of capital stock 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 dismissed with respect to \$30,000 aggregate par value of capital stock, and granted in all other respects. A public hearing is not necessary.

In issuing our order herein, we place California Consolidated Water Company, Inc. 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 Consolidated Water Company, Inc. may acquire and hold all of the issued and outstanding capital stock of Evergreen Service Company.

2. Evergreen Service Company may transfer and convey all of its assets and properties, including its certificate of public convenience and necessity, to California Consolidated Water Company, Inc.

3. California Consolidated Water Company, Inc. may acquire the assets and assume the obligations of Evergreen Service Company and thereafter shall undertake the operation of said public utility water system.

4. For the purpose specified in the application, California Consolidated Water Company, Inc. may issue and deliver not to exceed \$70,000 aggregate par value of its common stock.

5. California Consolidated Water Company, Inc. 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 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 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, Evergreen Service 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 Consolidated Water Company, Inc.

8. On or before the date of actual transfer, Evergreen Service 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 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, Evergreen Service 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.

10. 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.

11. 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 Evergreen Service Company.

12. The rates and rules of Evergreen Service 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 Evergreen Service Company as are substantially identical with the rules and standard forms of California Consolidated Water Company, Inc. 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 Consolidated Water Company, Inc. 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 Evergreen Service 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, Evergreen Service 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. This application is dismissed insofar as it seeks authority to issue \$30,000 aggregate par value of common stock in excess of the \$70,000 aggregate par value herein authorized.

16. The effective date of this order is the date hereof. Any authority herein granted and not exercised will expire June 30, 1966.

Dated at San Francisco, California, this 16th day of NOVEMBER, 1965.

Frederick B. Hallock
President

George H. Hoover

Augustin

William G. DeWitt

Commissioners

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