

**ORIGINAL**

Decision No. 70042

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of CALIFORNIA CITIES WATER )  
COMPANY for authority to acquire )  
and hold shares of preferred and )  
common stock of Santiago Water )  
Company and to issue the shares )  
of common stock and notes )  
required in connection with the )  
acquisition of such properties. )

Application No. 48037  
Filed November 5, 1965

O P I N I O N

This is an application for an order of the Commission authorizing California Cities Water Company to acquire and hold all of the outstanding capital stock of Santiago Water Company and to issue 3,250 shares of its \$10 par value common stock.

California Cities Water Company, a California corporation, is a public utility which owns and operates water properties in and about the City of San Dimas in Los Angeles County and in the Cowan Heights area near the City of Orange in Orange County. Santiago Water Company is a California corporation owning and operating public utility water properties in and near the City of Orange. Both companies are wholly owned subsidiaries of Consolidated Water Company, a Delaware corporation.

The reported assets and liabilities of Santiago Water Company, as of September 30, 1965, are shown in Exhibit No. 1 attached to the application and are summarized as follows:

Assets

Net utility plant		\$335,523
Other assets		<u>38,982</u>
Total		<u>\$374,505</u>

Liabilities

5% Preferred stock, \$25 par - 2,024 shares	\$50,600	\$
Common stock, \$100 par - 530 shares	<u>53,000</u>	
Earned surplus (deficit)	<u>(27,841)</u>	75,759
Notes payable to associated companies		164,064
Customers' advances for construction		95,965
Contributions in aid of construction		5,720
Other liabilities		<u>32,997</u>
Total		<u>\$374,505</u>

The application shows that Consolidated Water Company acquired all of the issued and outstanding capital stock of Santiago Water Company at a cost of \$97,498.45 and also advanced an amount of \$72,063.57 to the subsidiary, which advance was used principally for payment of notes. Said advance is evidenced by a short-term five percent note from Santiago Water Company.

Consolidated Water Company proposes to sell said stock and note to California Cities Water Company, the latter to issue 3,250 shares of its common stock having a book value of approximately \$30 per share and a ninety-day unsecured five percent promissory note in connection with the transaction. A summary of the proposed transaction as it affects California Cities Water Company is as follows:

	<u>Debit</u>	<u>Credit</u>
Investment in stocks of Santiago Water Company	\$97,498.45	
Note receivable from Santiago Water Company	72,063.57	
Additional common stock		\$32,500.00
Increase in capital surplus		64,998.45
Additional note payable to Consolidated Water Company		72,063.57

The Commission has considered this matter and finds that: (1) the proposed stock and note acquisitions will not be adverse to the public interest; (2) 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 (3) 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 Santiago Water Company, together with the \$72,063.57 unsecured short-term five percent note obligation of the latter.

2. California Cities Water Company may issue and deliver not to exceed 3,250 shares of its \$10 par value common stock on the basis and for the purpose specified in the application.

3. 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.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of DECEMBER, 1965.

Fredrick B. Holdhoff  
President

George T. Crow  
Secretary

Dallas W. Dennis  
Commissioners