

ORIGINAL

Decision No. 71012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of the Southern California Water)
Company for an order (a))
authorizing the issuance of)
common stock, (b) authorizing)
the acquisition of capital stock)
of Capitol Accommodations, Inc.)
(c) authorizing the conveyance)
of the property of Capitol)
Accommodations, Inc. to Southern)
California Water Company, and)
(d) granting a certificate of)
public convenience and necessity)
to Southern California Water)
Company.)

Application No. 48602
Filed July 5, 1966

O P I N I O N

This is an application for an order of the Commission
(1) authorizing Southern California Water Company to acquire,
take and hold all of the outstanding capital stock of Capitol
Accommodations, Inc., (2) authorizing Capitol Accommodations,
Inc. to dissolve and, in connection therewith, to convey all
of its properties to Southern California Water Company, and
(3) authorizing the latter to issue 15,750 shares of its \$5
par value common stock.

Southern California Water Company is a California
corporation engaged in the business of producing, distributing
and supplying water in portions of the Counties of Imperial,
Kern, Los Angeles, Orange, Sacramento, San Bernardino and
Ventura. The utility also distributes and supplies

electricity at Bear Valley in San Bernardino County. For the twelve months ended April 30, 1966, the company reports total operating revenues of \$10,125,832 and net income of \$1,705,007.

Capitol Accommodations, Inc., a California corporation, operates a public utility water system in a portion of Sacramento County pursuant to the certificate of public convenience and necessity granted by Decision No. 45753, dated May 22, 1951, in Application No. 32175. The company reports operating revenues of \$74,374 and net income of \$14,827 for the year 1965, and 1,536 active service connections, exclusive of those for fire protection, at the end of the year.

The application shows that Southern California Water Company and the stockholders of Capitol Accommodations, Inc. have entered into an Exchange Agreement and Plan of Reorganization, a copy of which is attached to the application as Exhibit B. Under the terms thereof, Southern California Water Company proposes to issue and deliver 15,750 shares of its \$5 par value common stock in exchange for all of the outstanding capital stock of Capitol Accommodations, Inc. consisting of 21,000 shares of no par value common stock having a stated value of \$10 per share.

Southern California Water Company contemplates causing the dissolution of Capitol Accommodations, Inc. subsequent to acquiring the stock. The certificate of public convenience and necessity and other assets, subject to liabilities of Capitol Accommodations, Inc., will be conveyed to Southern California Water Company.

A pro forma balance sheet dated as of December 31, 1965, and related journal entries giving effect to the proposed transaction are attached to the application as a part of Exhibit A. The information shows that assets of Capitol Accommodations, Inc., having a net book value of \$240,397, will be transferred to Southern California Water Company. It is also indicated that the \$161,647 excess of said net book value over the \$78,750 aggregate par value of stock to be issued will be credited to capital surplus.

According to the application, Southern California Water Company plans to consolidate, to the maximum possible degree, the operating functions of its nearby districts in Sacramento County with those functions to be taken over by it upon dissolution of Capitol Accommodations, Inc.

The Commission has considered this matter and finds that: (1) the proposed conveyance of the certificate of public convenience and necessity and other assets of Capitol Accommodations, Inc. to Southern California Water Company will not be adverse to the public interest; (2) the proposed acquisition of the stock of Capitol Accommodations, Inc. and the assumption of its liabilities by Southern California Water Company under the circumstances described in the application will not be adverse to the public interest; (3) there will be no change in rates as a result of the transfer; (4) 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 (5) 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 Southern California Water Company and its shareholders 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. Southern California Water Company may issue and deliver not to exceed \$78,750 aggregate par value of its common stock in exchange for all of the outstanding capital stock of Capitol Accommodations, Inc.

2. Southern California Water Company may acquire, take and hold all of the outstanding capital stock of Capitol Accommodations, Inc.

3. Capitol Accommodations, Inc. is hereby authorized to be dissolved into Southern California Water Company and, in connection therewith, the former may convey its certificate of public convenience and necessity and all of its other assets to the latter.

4. Southern California Water Company may acquire all of the assets and concurrently shall assume all of the obligations of Capitol Accommodations, Inc., and thereafter undertake the operation of the latter's public utility water system.

5. Southern California 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. Southern California Water Company shall account for the acquisition of the properties herein authorized to be conveyed 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), and within sixty days after the consummation of the conveyance, it shall file with the Commission a copy of each journal entry used to record the acquisition on its books of account.

7. If the authority herein granted to convey properties is exercised, Southern California Water Company, within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such conveyance.

8. Southern California Water Company shall file, within five days after the effective date of the conveyance, a notice of adoption of the presently filed tariff schedules of Capitol Accommodations, Inc.

9. The rates and rules of Capitol Accommodations, Inc. now on file with the Commission shall be refiled within thirty days after the effective date of the conveyance under the name of Southern California Water Company in accordance with the requirements of General Order No. 96-A, except that Southern California Water Company may withdraw such rules and standard forms of Capitol Accommodations, Inc. as are substantially identical with the rules and standard forms of Southern California Water Company, and the withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules.

10. On or before the end of the third month after the consummation of the conveyance as herein authorized, Southern California 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 Capitol Accommodations, Inc. for the period commencing with the first day of the current year to and including the effective date of the conveyance.

11. The effective date of this order shall be ten days after the date hereof. Any authority herein granted and not exercised will expire December 31, 1966.

Dated at San Francisco, California,
this 27th day of JULY, 1966.

[Signature]
President

George E. Grover

Fredrick B. Holbrook

Augustus

[Signature]
Commissioners