

**ORIGINAL**

Decision No. 71684

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of KERN ISLAND CANAL )  
 COMPANY, EAST SIDE CANAL COMPANY, )  
 THE FARMERS CANAL COMPANY, BUENA )  
 VISTA CANAL, INC., and STINE )  
 CANAL, INC. for authorization )  
 (1) to merge EAST SIDE CANAL )  
 COMPANY, THE FARMERS CANAL )  
 COMPANY, BUENA VISTA CANAL, INC. )  
 and STINE CANAL, INC. into KERN )  
 ISLAND CANAL COMPANY, and (2) )  
 for the conversion of the stock )  
 of the merged companies into )  
 that of KERN ISLAND CANAL )  
 COMPANY. )

Application No. 48967  
Filed November 22, 1966

O P I N I O N

This is an application for an order of the Commission (1) authorizing the merger of East Side Canal Company, The Farmers Canal Company, Buena Vista Canal, Inc., and Stine Canal, Inc. into Kern Island Canal Company, which will be the surviving corporation with its name changed to Kern Island Canal, Inc., and (2) authorizing the latter to issue stock and stock certificates evidencing the split up, conversion and exchange of its common stock in connection with the merger.

Applicants are California corporations providing public utility irrigation water service in portions of Kern County. The balance sheet, attached to the application as part of Exhibit D, indicates that the combined investment of the five companies in utility plant, after deducting depreciation reserves, amounted to \$1,592,521 as of September 30, 1966. All are subsidiaries of Kern County Canal and Water Company.

Pursuant to the terms of an Agreement of Merger, applicants propose to accomplish a merger with Kern Island Canal Company, the latter to succeed to all rights and property and to become subject to all the debts and liabilities of the constituent corporations, whose separate corporate existence shall cease. As the surviving corporation, the name of Kern Island Canal Company will be changed to Kern Island Canal, Inc., and the number of its authorized shares of common stock, without par value, will be increased from 100 to 100,000.

The application indicates that the 100 shares of Kern Island Canal Company common stock presently outstanding will be split up and converted into 60,500 shares of Kern Island Canal, Inc. common stock. In addition, the outstanding common stock of the constituent corporations, all without par value, will be converted into and exchanged for the remaining 39,500 shares of Kern Island Canal, Inc. common stock.

A pro forma statement of assets and liabilities, as of September 30, 1966, summarized from Exhibit D filed in this proceeding, and giving effect to the merger transactions, is as follows:

Assets

Net utility plant	\$1,592,521
Current and accrued assets	<u>149,878</u>
Total	<u>\$1,742,399</u>

Liabilities

Common stock	\$ 300,000
Capital surplus	484,038
Earned surplus	261,702
Contributions in aid of construction	370,756
Current and accrued liabilities	<u>325,903</u>
Total	<u>\$1,742,399</u>

Applicants indicate that the proposed merger will result in more economical service to the public and permit administrative savings and efficiencies.

The Commission has considered this matter and finds that:

(1) the proposed merger will not be adverse to the public interest; (2) the proposed issue of stock and stock certificates is for a proper purpose; (3) the money, property or labor to be procured or paid for by the issue of the stock and stock certificates 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 Kern Island Canal, Inc. and its shareholders on notice that we do not regard the number of shares outstanding, the total stated 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 granted is not to be construed as a finding

of the value of its 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. East Side Canal Company, The Farmers Canal Company, Buena Vista Canal, Inc., and Stine Canal, Inc. may merge into Kern Island Canal Company pursuant to, or substantially in accordance with, the Agreement of Merger, dated November 18, 1966, a copy of which is attached to the application as Exhibit A.

2. Kern Island Canal Company, as the surviving corporation under the merger herein authorized, may change its name to Kern Island Canal, Inc., may assume all the liabilities, and shall undertake the public utility obligations, of each subsidiary so merged.

3. Kern Island Canal, Inc. may issue certificates evidencing not to exceed 100,000 shares of its capital stock resulting from conversions and split ups of outstanding stock occurring in accordance with the Agreement of Merger herein authorized. No new certificate shall be issued prior to surrender of the corresponding certificate, or certificates.

4. Kern Island Canal, 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.

5. Within thirty days after consummation of such merger, Kern Island Canal, Inc. shall notify the Commission, in writing, of that fact.

6. Within five days after the effective date of the merger herein authorized, Kern Island Canal, Inc. shall file with the Commission, by advice letters, notices of adoption of the presently filed tariff schedules of each company merged into it.

7. The respective tariff filings of the companies so merged, now on file with this Commission, shall be refiled within sixty days after the effective date of the merger under the name of Kern Island Canal, Inc., in accordance with the requirements of General Order No. 96-A, except that Kern Island Canal, Inc. may withdraw such of each corporation's rules and standard forms as are substantially identical with those of Kern Island Canal, Inc., 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.

8. Kern Island Canal, Inc., after consummation of the merger, shall maintain its records in such form as to provide a segregation of accounts relating to the plant investment and pertinent rate base items, as well as the revenues and expenses, for each of the five areas represented by applicants in this proceeding.

9. Within sixty days after the consummation of such merger, Kern Island Canal, Inc. shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

10. On or before the end of the third month after the consummation of the merger as herein authorized, Kern Island Canal, 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 respective operations of each company merged into it, for the period commencing with the first day of the calendar year in which the merger occurs to and including the effective date of the merger.

11. Kern Island Canal Company and Kern Island Canal, Inc., being two names for the same corporation, may be used interchangeably wherever either name appears in this decision.

12. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 13<sup>th</sup> day of DECEMBER, 1966.

*John E. Randall*  
 President

*George E. Dwyer*

*Friedrich B. Hildebrand*

*Augustus*

*William W. Bennett*  
 Commissioners