

ORIGINAL

Decision No. 72269

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Alice Warring)
 Giddings, Executrix of the)
 Estate of Floyd S. Warring,)
 Alice Warring Giddings and)
 Frances Warring Talbot, dba)
 WARRING BROS. DOMESTIC)
 SERVICE, and WARRING BROS.)
 IRRIGATION SERVICE, to)
 transfer utility properties)
 to WARRING WATER SERVICE,)
 INC., and the latter to)
 issue stock.)

Application No. 49013
 Filed December 9, 1966
 and Amendments
 Filed March 6, 1967
 and March 20, 1967

O P I N I O N

Alice Warring Giddings, as Executrix of the Estate of Floyd S. Warring, and Alice Warring Giddings and Frances Warring Talbot, doing business as Warring Bros. Domestic Service and Warring Bros. Irrigation Service, request authorization to sell and transfer public utility properties and related assets, subject to existing liabilities, to Warring Water Service, Inc. The latter seeks permission to issue 1,435 shares of its \$100 par value capital stock and promissory notes aggregating \$25,000 in connection with the proposed transactions.

Applicants state that both water systems have been owned and operated for many years by various members of the

Warring family and that water service is provided to consumers located in and about Piru, Ventura County. It appears that some changes in partners have occurred since the rendering of Decision No. 63019, dated January 9, 1962, in Application No. 43888, being the most recent transfer authorization.

The application, as amended, indicates that a sum of \$98,576 was expended during the years 1965 and 1966 for drilling and equipping a new well, replacing pipelines and constructing additional pipelines and facilities in the Warring Bros. Domestic Service system. It appears that part of said sum consisted of advances for construction totaling \$13,779 and open account advances from affiliates in the amount of \$63,500.

The partners propose that the public utility operations be continued under a corporate form of organization. To accomplish such objective, they request authority to sell and transfer their proportionate interests in the public utility enterprises to Warring Water Service, Inc. in exchange for stock. According to exhibits filed in this proceeding, the total net book value of the partners' equity as of December 31, 1966, was \$119,580.

Warring Water Service, Inc., a California corporation organized on or about May 20, 1966, proposes to purchase the water systems and related assets, subject to existing liabilities, and to issue 1,195 shares of its \$100 par value capital stock in payment therefor.

In connection with the open account balances of \$63,500, Warring Water Service, Inc. requests authority to issue an additional 240 shares of its capital stock, at par, in cancellation of \$24,000 of said liabilities. The corporation also proposes to convert \$25,000 of said open accounts into long-term debt by issuing notes repayable in aggregate annual installments of \$2,500 on principal, plus interest at the rate of 6% per annum. It appears that the balance of \$14,500 represents inter-system advances which will be eliminated as a result of the proposed sales and transfers of both systems to Warring Water Service, Inc.

The Commission has considered this matter and finds that: (1) the sales and transfers of partnership interests as described in the application, as amended, are not adverse to the public interest; (2) the sales and transfers of the public utility water systems and related assets as proposed in this proceeding will not be adverse to the public interest; (3) the money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application, as amended, should be granted. In issuing our order herein, we place Warring Water Service, Inc. 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 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. The sales and transfers of partnership interests in the public utility water systems known as Warring Bros. Domestic Service and Warring Bros. Irrigation Service from those partners set forth in Decision No. 63019, dated January 9, 1962, in Application No. 43888, to the present partners specified in this proceeding, are hereby authorized.

2. Alice Warring Giddings, as Executrix of the Estate of Floyd S. Warring, and Alice Warring Giddings and Frances Warring Talbot, on or after the effective date hereof and on or before July 31, 1967, may sell and transfer, and

Warring Water Service, Inc. may purchase and acquire, the public utility water systems known as Warring Bros. Domestic Service and Warring Bros. Irrigation Service, together with related assets, as set forth in the application.

3. Warring Water Service, Inc., on or after the effective date hereof and on or before July 31, 1967, in acquiring said assets, may assume related liabilities and issue not to exceed 1,435 shares of its \$100 par value capital stock for the purposes specified herein.

4. On or after the effective date hereof and on or before July 31, 1967, Warring Water Service, Inc. may issue its promissory notes in an aggregate principal amount of not to exceed \$25,000 for the purpose set forth in the foregoing opinion. Said documents shall be in the same form, or in substantially the same form, as those attached to the second amendment to the application.

5. Warring Water Service, 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. On or before the date of actual transfer -

- a. Sellers shall refund all customers' deposits and all advances for construction, if any, which are due to be refunded at the transfer date. Any unrefunded deposits and advances shall be transferred to and shall become the obligation for refund of Warring Water Service, Inc.

- b. Sellers shall transfer and deliver to purchaser all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and purchaser shall receive and preserve the same.

7. If the authority herein granted to transfer properties is exercised, Warring Water Service, Inc., within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such transfer.

8. Warring Water Service, Inc. shall file, within five days after the effective date of the transfers, a notice of adoption of the presently filed rates and rules of sellers in accordance with the procedure prescribed by General Order No. 96-A. No increases in presently filed rates shall be made unless authorized by this Commission.

9. Within sixty days after consummation of the transfers, Warring Water Service, Inc. shall file with the Commission a copy of each journal entry used to record the transfers on its books of account.

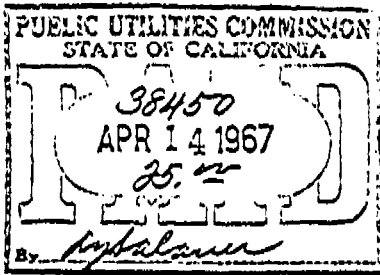
10. Warring Water Service, Inc., after consummation of the transfers, shall maintain its records in such form as to provide a segregation of accounts relating to the plant investment and pertinent rate base items, as well as the revenues and expenses, for each system referred to in this proceeding.

11. On or before the end of the third month after the consummation of the transfers as herein authorized, Warring Water Service, 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 the sellers for the period commencing with the first day of the current year to and including the effective date of the transfers.

12. Upon compliance with all of the conditions of this order, Alice Warring Giddings, as Executrix of the Estate of Floyd S. Warring, and Alice Warring Giddings, and Frances Warring Talbot, individually, shall stand relieved of all further public utility obligations in connection with the operation of the public utility water systems herein authorized to be transferred.

13. This order shall become effective when Warring Water Service, Inc. has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California, this 11th day of APRIL, 1967.



[Signature]
President

[Signature]

[Signature]
Attorneys

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Commissioners