

ORIGINAL

Decision No. 73011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA)
 CONSOLIDATED WATER COMPANY to)
 acquire the common capital stock)
 of CLEAR LAKE PARK WATER COMPANY;)
 to merge CLEAR LAKE PARK WATER)
 COMPANY into CALIFORNIA)
 CONSOLIDATED WATER COMPANY; and)
 of CLEAR LAKE PARK WATER COMPANY)
 to liquidate and cease public)
 utility operations.)

Application No. 49595
Filed August 9, 1967

O P I N I O N

This is an application for an order of the Commission (a) authorizing California Consolidated Water Company, Inc. to acquire all of the outstanding capital stock of Clear Lake Park Water Company and (b) authorizing Clear Lake Park Water Company to merge with and into California Consolidated Water Company, Inc.

California Consolidated Water Company, Inc. is a California corporation engaged in the public utility business of providing water service to consumers located in Santa Barbara and San Luis Obispo Counties.

Clear Lake Park Water Company, a California corporation, operates a public utility water system in the unincorporated community of Clear Lake Park and vicinity in Lake County pursuant to certificates of public convenience and necessity referred to in Decision No. 43016, dated

June 21, 1949, in Application No. 29943, and Decision No. 68538, dated February 3, 1965, in Application No. 47194.

Both utilities are under the jurisdiction of this Commission and are wholly owned subsidiaries of Consolidated Water Company, a Delaware corporation.

The application indicates that on May 1, 1967, Consolidated Water Company acquired all of the outstanding capital stock of Clear Lake Park Water Company at a cost of \$126,366 and also advanced an additional amount of \$172,661 to the subsidiary in exchange for a short-term note. Exhibit A, attached to the application, shows that the parent corporation has offered to sell said stock and note to California Consolidated Water Company, Inc. for an aggregate sum of \$299,027, and the latter seeks authority in this proceeding to acquire said stock. Upon such acquisition, Clear Lake Park Water Company proposes to merge with and into California Consolidated Water Company, Inc. and to cease public utility operations.

According to the application, California Consolidated Water Company, Inc. plans to purchase said stock and note with proceeds to be derived from a short-term bank borrowing. At a later date the company expects to file an appropriate application for permanent financing.

Based on financial statements submitted in this proceeding, applicants' assets and liabilities as of June 30, 1967, together with adjustments and a pro forma balance sheet giving effect to the proposed merger, are summarized as follows:

| <u>Assets</u> | <u>California Consolidated Water Company, Inc.</u> | <u>Clear Lake Park Water Company</u> | <u>Adjust- ments Dr or (Cr)</u> | <u>Pro Forma</u> |
|---------------------------------------|--|--|---|---------------------------|
| Net utility plant | \$2,330,148 | \$293,301 | \$ - | \$2,623,449 |
| Acquisition adjustments | 140,377 | - | 43,029 | 183,406 |
| Other assets | <u>140,697</u> | <u>26,387</u> | <u>(6,594)</u> | <u>160,490</u> |
| Total | <u>\$2,611,222</u> | <u>\$319,688</u> | <u>\$ 36,435</u> | <u>\$2,967,345</u> |
| <u>Liabilities</u> | | | | |
| Notes payable - Banks | \$ 121,000 | \$ - | \$(300,000) | \$ 421,000 |
| Notes payable - Associated Company | 25,000 | 172,661 | 172,661 | 25,000 |
| Capital stock and surplus | 1,024,081 | 37,335 | 26,337 | 1,025,079 |
| Other liabilities | <u>1,441,141</u> | <u>59,692</u> | <u>4,567</u> | <u>1,496,266</u> |
| Total | <u>\$2,611,222</u> | <u>\$319,688</u> | <u>\$ (36,435)</u> | <u>\$2,967,345</u> |

Applicants assert that planned improvements in the Clear Lake Park system alluded to by the Commission in Decision No. 71096, dated August 9, 1966, in Application No. 48158, are in progress, and that an adequate work order system has been established for inclusion with accounting records now maintained in California.

The Commission has considered this matter and finds that the proposed stock acquisition and merger will not be adverse to the public interest. On the basis of this finding we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as a finding of the value of the properties to be merged, 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. On or after the date hereof and on or before December 31, 1967, California Consolidated Water Company, Inc. may purchase and acquire all the outstanding capital stock of Clear Lake Park Water Company, and the latter may merge with and into the former.
2. Upon consummation of the merger, California Consolidated Water Company, Inc., as the surviving corporation, may assume all of the liabilities, and shall undertake the public utility obligations of Clear Lake Park Water Company.
3. Within five days after consummation of the merger, California Consolidated Water Company, Inc. shall file with the Commission a notice of adoption of the presently filed tariff schedules of Clear Lake Park Water Company.
4. The tariff schedules of Clear Lake Park Water Company now on file with the Commission shall be refiled within thirty days after consummation of the merger 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 Clear Lake Park Water Company as are substantially identical with those of California Consolidated

Water Company, Inc., and the withdrawal of which will not result in increases in rates or more restrictive conditions than the presently filed tariffs of Clear Lake Park Water Company.

5. California Consolidated Water Company, 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, pertinent rate base items, revenues and expenses of the Clear Lake Park system.

6. Within sixty days after consummation of the merger, California Consolidated Water Company, Inc. shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

7. On or before the end of the third month after consummation of the merger, 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 Clear Lake Park Water Company 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.

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

Dated at San Francisco, California, this 17th day of SEPTEMBER, 1967.

[Signature]
President

[Signature]

[Signature]

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Commissioners