

ORIGINAL

Decision No. 75111

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Ashe Water)
 Company and Kern Island Canal,)
 Inc. for an order authorizing:)
)
 (1) The acquisition by Kern)
 Island Canal, Inc. of all of)
 the stock of Ashe Water Company)
 (2) the merger of Ashe Water)
 Company into Kern Island Canal,)
 Inc. (3) the termination of the)
 escrow of Ashe Water Company's)
 capital stock.)
 _____)

Application No. 50727
 Filed December 6, 1968

O P I N I O N

This is an application for an order of the Commission authorizing Kern Island Canal, Inc. to acquire all the outstanding capital stock of Ashe Water Company, authorizing the latter to merge into the former, and terminating the escrow requirement pertaining to said stock.

Kern Island Canal, Inc. is a California corporation engaged in supplying water for irrigation purposes in portions of Kern County. It is the surviving corporation of a merger authorized by Decision No. 71684, dated December 13, 1966, in Application No. 48967. For the first nine months of 1968, the company reports total operating revenues of \$339,106 and net income after taxes

of \$29,490. The application shows that over 99% of its outstanding capital stock is held by Kern County Canal and Water Company, a wholly owned subsidiary of Kern County Land Company.

Ashe Water Company is a California corporation engaged in supplying water for domestic consumption. By Ordering Paragraph No. 1 of Decision No. 63411, dated March 13, 1962, in Application No. 43565, the Commission granted the company a certificate of public convenience and necessity authorizing it to construct and operate a public utility water system for the distribution and sale of water in Stockdale Community and vicinity, Kern County. For the first nine months of 1968, the utility reports total operating revenues of \$66,602 and a net income after taxes of \$10,612. The application shows that all of its outstanding capital stock is held by Stockdale Development Corporation, a wholly owned subsidiary of Kern County Land Company.

Ordering Paragraph No. 7 of said Decision No. 63411 authorized Ashe Water Company to issue shares of its common stock to Stockdale Development Corporation, and imposed an escrow requirement with respect to the issue. By Decision No. 64505, dated November 7, 1962, the Commission approved Max Eddy Utt as the escrow holder.

Exhibit B, attached to the application, indicates that upon receipt of all the outstanding stock of Ashe Water Company by Kern Island Canal, Inc., the former will be merged into the latter

in accordance with Section 4124 of the California Corporations Code.

On the basis of a portion of Exhibit C, attached to the application, applicants' assets and liabilities as of September 30, 1968, together with adjustments and the pro forma balance sheet giving effect to the proposed merger, are summarized as follows:

	<u>Kern Island Canal, Inc.</u>	<u>Ashe Water Company</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<u>Assets</u>				
Utility plant less reserves for depreciation	\$1,665,728	\$716,777		\$2,382,505
Current and accrued assets	<u>22,570</u>	<u>22,179</u>		<u>44,749</u>
Total	<u>\$1,688,298</u>	<u>\$738,956</u>		<u>\$2,427,254</u>
<u>Liabilities</u>				
Common capital stock	\$ 300,000	\$224,550*	(\$224,550)	\$ 300,000
Current and accrued liabilities	103,865	318,773		422,638
Advances for construction		298,379		298,379
Contributions in aid of construction	354,783	10,373		365,156
Capital surplus	474,860		224,550 (113,119)	586,291
Earned surplus	<u>454,790</u>	<u>(113,119)</u>	<u>113,119</u>	<u>454,790</u>
Total	<u>\$1,688,298</u>	<u>\$738,956</u>	<u>-</u>	<u>\$2,427,254</u>

*22,500 shares of \$10 par value common stock less \$450 capital stock expense.

After consideration the Commission finds that (a) no good cause exists for continuing the escrow requirement applicable to the stock of Ashe Water Company, and (b) the proposed stock acquisition and merger will not be adverse to the public interest. On the basis of these findings 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. The escrow requirement imposed by Ordering Paragraph No. 7 of Decision No. 63411, dated March 13, 1962, in Application No. 43565, is hereby terminated.

2. Max Eddy Utt, as escrow holder of certificates representing the 22,500 shares of outstanding capital stock of Ashe Water Company, is hereby authorized to release from escrow said certificates, and to deliver them to the owner, or owners, thereof.

3. Kern Island Canal, Inc. may acquire all the outstanding capital stock of Ashe Water Company, and the latter may merge into the former.

4. Upon consummation of the merger, Kern Island Canal, Inc., as the surviving corporation, may assume all of the liabilities, and shall undertake the public utility obligations of Ashe Water Company.

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

6. Kern Island Canal, Inc. shall file, within five days after the effective date of the merger, a notice of adoption of the presently filed rates and rules of Ashe Water Company 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.

7. After consummation of the merger, Kern Island Canal, Inc. 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 the area now being served by Ashe Water Company.

8. Within sixty days after consummation of the 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.

9. 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 operations of Ashe 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.

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

Dated at San Francisco, California,
this 17th day of DECEMBER, 1968.

William J. Bennett
President

Augusta
Fred P. Monsey
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.