

**ORIGINAL**

Decision No. 75196

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of VILLAGE WATER COMPANY, a )  
corporation, and ORBIS WATER )  
COMPANY (formerly known as Lesser )  
Water Company), a corporation, )  
for an order authorizing: )  
A. Orbis Water Company to sell )  
and Village Water Company to )  
buy the utility assets of Orbis )  
Water Company; and B. Orbis )  
Water Company to withdraw from )  
the water utility business; )  
and C. Village Water Company )  
to engage in and carry on the )  
water utility business of Orbis )  
Water Company; and D. Village )  
Water Company to assume specified )  
obligations of Orbis Water Company. )

Application No. 50463  
First Supplemental  
Filed December 20, 1968

FIRST SUPPLEMENTAL OPINION

By Decision No. 74898, dated November 6, 1968, in the above-entitled matter, the Commission authorized Orbis Water Company to transfer its public utility water system to Village Water Company. The order in said decision was to become effective "twenty days after receipt by the Commission of a satisfactory explanation of the method Village Water Company intends to utilize in financing the acquisition of Orbis Water Company."

The supplemental application indicates that Village Water Company has agreed to assume an indebtedness of Orbis Water Company in favor of Pacific Mutual Life Insurance Company,

which indebtedness amounts to \$294,000 principal and \$8,035 interest as of December 31, 1968. The estimated remaining balance of the purchase price pertaining to the transfer authorized by said Decision No. 74898 is between \$500,000 and \$550,000, which is to be paid in cash.

Village Water Company reports that Bank of America National Trust and Savings Association has agreed to make a short-term loan to it of cash for meeting said purchase price balance, which loan will carry an interest rate of 1/4% per annum over the then prime rate as of the date of the loan. The utility indicates that its parent corporation, American Water Works Company, Inc., has given assurance that it will provide such assistance as might be necessary in the refinancing or payment of said loan.

A pro forma balance sheet of Village Water Company, as of October 31, 1968, reflecting the proposed acquisition from Orbis Water Company, is summarized from an exhibit attached to the supplemental application, as follows:

Assets

Utility plant less accumulated depreciation	\$5,824,303
Acquisition adjustment	64,058
Current assets	248,126
Deferred debits	<u>534,451</u>
Total	<u>\$6,730,938</u>

Liabilities

Common stock and retained earnings	\$1,590,982
First mortgage bonds	1,798,000
Notes and advances payable to parent company	645,625
Current liabilities	744,549
Customer advances for construction	1,896,069
Contributions in aid of construction	<u>55,713</u>
Total	<u>\$6,730,938</u>

Although the foregoing indicates a relatively high proportion of indebtedness as compared with equity, the Commission is aware that such feature is offset to a considerable extent by the strong financial support of the parent corporation.

After further consideration of the above-entitled matter the Commission finds that Village Water Company has the financial ability to acquire and operate the water system of Orbis Water Company, and that the proposed assumption of indebtedness of Orbis Water Company will not be adverse to the public interest. On the basis of these findings we conclude that the supplemental application should be granted. A public hearing is not necessary.

The authority herein granted shall not be construed as an indication of the action this Commission will take with respect to any other proceeding involving additional long-term indebtedness of Village Water Company.

FIRST SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. Village Water Company and Orbis Water Company may execute, deliver and enter into an agreement providing for the assumption by the former of obligations of the latter to Pacific Mutual Life Insurance Company, which agreement shall be in the same form, or in substantially the same form, as that attached to the First Supplemental Application as Exhibit A.
2. The First Supplemental Application filed in this proceeding complies with the requirement for a satisfactory

explanation of the method Village Water Company intends to utilize in financing the acquisition of the Orbis Water Company properties.

3. The effective date of the order in Decision No. 74898 as modified by this order, and the effective date of this order, is the date hereof.

Dated at San Francisco, California, this 14<sup>th</sup> day of JANUARY, 1969.

William Lyman Jr.  
President  
Augustin  
J. P. Monsey

Commissioners

Commissioner J. P. VUKASIN, JR.

Present but not participating.

Commissioner THOMAS MORAN

Present but not participating.