

Decision No. 79982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matters of the Joint Application of SUBURBAN WATER SYSTEMS, a California Corporation, and VICTORIA MUTUAL WATER COMPANY, a California Corporation, for authority for Suburban Water Systems to purchase and Victoria Mutual Water Company to sell its water system assets and be relieved of its public utility status.

Application No. 52865  
(Filed September 15, 1971)

O P I N I O N

This is an application by Suburban Water Systems (hereinafter referred to as Suburban) and Victoria Mutual Water Company (hereinafter referred to as Victoria) in which Suburban seeks to purchase the assets of Victoria and Victoria, which is a public utility water corporation, seeks to be relieved of its public utility status.

The application was filed on September 15, 1971. It was held in abeyance because it did not contain all the information required by the Rules of Practice and Procedure. Applicants have filed the requisite information which has been designated Exhibits 1 and 2 herein.

Suburban furnishes water service to approximately 46,000 customers in areas of Los Angeles County known as the San Jose Hills area and the Whittier area. Victoria was incorporated in 1913 as a mutual water company. In Decision No. 68273, which became effective on January 3, 1966, the Commission found Victoria to be a public utility water corporation. (Decision No. 68273 in Applications Nos. 44149 and 43578, review denied June 16, 1965, certiorari denied December 6, 1965.)

The verified application avers that Victoria presently provides water service to Suburban and one other customer; that Suburban presently owns 52.5 percent of Victoria's capital stock; that the Board of Directors of Victoria authorized the sale of its assets to Suburban for \$28,460.12; that the Board of Directors of Suburban has authorized the purchase of Victoria's assets; that Suburban has agreed to furnish water service to the remaining customer of Victoria and that the other customer to whom Victoria provides water service is a Victoria shareholder who has expressed approval of the sale.

Elise Buehler Morris, a Victoria shareholder, sent a letter protesting the application to the Commission. In essence, the letter alleges that the assets of Victoria have been undervalued for the purposes of the sale and transfer here under consideration, and that, instead of her filing a shareholder's suit against Victoria, she be permitted to retain her pro-rata share of Victoria's water rights, which are alleged to be 5.6 percent. The Commission indicated to Mrs. Morris that if she desired to present evidence about the valuation of Victoria's assets or its water rights, a public hearing would be scheduled in the matter. She declined to do so. In the circumstances, the Commission is of the opinion that a public hearing would serve no useful purpose. There is nothing in the record to indicate why some of the water rights of a public utility water company, which acts as a supplier to another public utility water company in an area which does not have an abundance of water, should be transferred to a shareholder for private use. Also, even if it be assumed that there was overreaching on the part of Victoria's majority shareholder (Suburban) against Mrs. Morris, the situation would have little impact in a public utility context. Regardless of the purchase price, under the Uniform System of Accounts ordered by the Commission, Suburban will be required to record the assets acquired from Victoria on its books at original cost less depreciation. Furthermore, there is nothing in the record which indicates that if the transaction is authorized Suburban's

financial position, and thus its ability to serve the public, would be impaired. The Commission is of the opinion that, in the light of the present record, the contentions of Mrs. Morris should be determined by a court of competent jurisdiction.

The Commission makes the following findings and conclusions:

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Suburban and Victoria are water corporations as defined in Section 241 of the Public Utilities Code.
3. The proposed sale and transfer of Victoria's assets to Suburban would not be adverse to the public interest.
4. Suburban has the financial ability to consummate said transaction without impairing its ability to continue to serve the public as a water corporation.
5. The Commission expressly makes no findings with respect to the reasonableness of the transaction with regard to the shareholders of Victoria and Suburban.

Conclusions of Law

1. The application should be granted as hereinafter provided.
2. The authorization herein granted shall not be construed as a finding of the value of the rights and properties herein authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Victoria Mutual Water Company may sell and transfer its assets to Suburban Water Systems in accordance with the terms of the "Bill of Sale" designated as Exhibit 2 in this proceeding.
2. Within ten days after the actual transfer, Suburban Water Systems shall notify the Commission, in writing, of the date upon which the transaction was consummated.

3. On or before the actual date of transfer, Victoria Mutual Water Company shall refund all customers' deposits and advances held by it, and, within ten days thereafter, shall notify this Commission, in writing, that such refunds have been made.

4. On or before the end of the third month after the date of actual transfer buyer shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of the seller for the period commencing with the first day of the current year to and including the effective date of transfer.

5. Upon completion of the sale and transfer herein authorized and all the terms and conditions of this order, Victoria Mutual Water Company shall stand relieved of its public utility obligations with respect to the property herein authorized to be transferred.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup>  
day of APRIL, 1972.

William J. ... Chairman  
...  
Vern L. Sturgeon  
... Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.