

ORIGINAL

Decision No. 80264

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
(1) NEW CITIES WATER COMPANY for)
an Order authorizing it to issue)
1,000 shares of its common stock)
having no par value for \$15,000)
cash;)
(2) CALIFORNIA CITIES WATER)
COMPANY and CALIFORNIA)
CONSOLIDATED WATER COMPANY, INC.,)
for an Order authorizing them to)
merge into NEW CITIES WATER)
COMPANY, and authorizing the)
latter to execute and deliver an)
Indenture and to issue \$4,250,000)
principal amount of its First)
Mortgage Bonds, 6.80 per cent,)
Series A, due December 1, 1996,)
and to issue 100,000 shares of)
its \$10 par value common stock;)
and)
(3) NEW CITIES WATER COMPANY)
(renamed California Cities Water)
Company) to adopt or otherwise)
publish the rate and tariff)
schedules of California Cities)
Water Company and California)
Consolidated Water Company, Inc.,)
in effect at the time of the)
merger.)

Application No. 53394
(Filed June 13, 1972)

O P I N I O N

California Cities Water Company and California
Consolidated Water Company, Inc. seek authority to merge
into New Cities Water Company, whereupon the name of the

surviving corporation would be changed to California Cities Water Company. In addition, applicants seek authority to engage in various financing transactions associated with the proposed merger.

New Cities Water Company is a California corporation incorporated on or about February 2, 1972. California Cities Water Company and California Consolidated Water Company, Inc. are California corporations operating public utility water systems in various portions of California.

Consolidated Water Company, a Delaware corporation, owns more than 99% of the outstanding common stock of California Cities Water Company and all the outstanding common stock of California Consolidated Water Company, Inc. All the outstanding bonds and preferred stock of California Cities Water Company and California Consolidated Water Company, Inc. are held by Pacific Mutual Life Insurance Company.

New Cities Water Company proposes to issue 1,000 shares of its no par value common stock to Consolidated Water Company for \$15,000 cash. The proceeds would be used for purchasing minority shares of common stock of California Cities Water Company and for working capital.

Pursuant to an Agreement of Merger, California Cities Water Company and California Consolidated Water Company, Inc. would merge into New Cities Water Company. The latter's Articles of Incorporation would be amended to change its name to California Cities Water Company, and to authorize 2,200 shares of \$6.25 Series A \$100 par value preferred stock, 4,800 shares of \$7.50 Series B \$100 par value preferred stock and 100,000 shares of \$10 par value common stock. Each outstanding

share of no par value common stock of the surviving corporation would be converted into 100 shares of its \$10 par value common stock. In exchange for the outstanding 4,800 shares of \$100 par value \$7.50 preferred stock of California Cities Water Company and the outstanding 2,200 shares of \$100 par value \$6.25 preferred stock of California Consolidated Water Company, Inc., New Cities Water Company proposes to issue 7,000 shares of its corresponding \$100 par value preferred stock to Pacific Mutual Life Insurance Company. The common stock of California Cities Water Company and California Consolidated Water Company, Inc., held by Consolidated Water Company, would be cancelled.

The surviving corporation, pursuant to a Plan of Reorganization and Agreement and a Purchase Agreement, proposes to issue \$4,250,000 principal amount of its First Mortgage Bonds, 6.80%, Series A, Due April 1, 1997, for a consideration consisting of (1) the surrender of \$700,000 aggregate par value of its Cumulative Preferred Stock, (2) the surrender of \$1,915,000 principal amount of California Cities Water Company First Mortgage Bonds and \$1,200,000 principal amount of California Consolidated Water Company, Inc. First Mortgage Bonds, and (3) the payment of \$435,000 cash plus accrued interest on a like amount of the new bonds, less accrued dividends and accrued interest on the securities to be surrendered. The cash proceeds would be used to retire outstanding bank loans incurred for capital expenditures. The new bonds would be secured by a proposed Indenture to be dated as of April 1, 1972.

The balance sheet as of December 31, 1971, after giving effect to the proposed transactions, is summarized from Exhibit 10, attached to the application, as follows:

Assets

Current assets	\$ 980,826
Net utility plant	8,970,621
Acquisition adjustments	896,919
Other property and investments	575,705
Other assets	<u>340,400</u>
Total	<u>\$11,764,471</u>

Liabilities

Current liabilities	\$ 460,184
Common stock	1,000,000
Capital surplus	1,894,144
Retained earnings	1,350,939
Long-term debt	4,250,000
Advances for construction	2,121,815
Contributions in aid of construction	617,489
Other liabilities	<u>69,900</u>
Total	<u>\$11,764,471</u>

After consideration the Commission finds that:

1. The proposed transactions would not be adverse to the public interest.
2. The proposed security issues are for proper purposes.
3. The money, property or labor to be procured or paid for by the issues herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place the surviving corporation and its shareholder 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 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. For example, any additional cost of money which may result from the merger would not necessarily be recognized for rate making purposes in future proceedings before this Commission.

O R D E R

IT IS ORDERED that:

1. New Cities Water Company, for the purposes specified in the application, may issue to Consolidated Water Company not exceeding 1,000 shares of its no par value common stock for \$15,000 cash.
2. California Cities Water Company and California Consolidated Water Company, Inc. may merge into New Cities Water Company substantially in accordance with the terms and provisions of the Agreement of Merger, a copy of which is attached to the application. The merger may be made effective as of July 1, 1972 for accounting purposes.
3. Following delivery and cancellation of all certificates representing shares of applicants' common stock held by Consolidated Water Company, including the stock authorized by Ordering Paragraph No. 1 hereof, New Cities Water Company under its new name of California Cities

Water Company may issue to Consolidated Water Company a stock certificate or certificates representing not exceeding 100,000 shares of its \$10 par value common stock.

4. New Cities Water Company under its new name of California Cities Water Company, for the purpose specified in the foregoing opinion, may issue to Pacific Mutual Life Insurance Company not exceeding 7,000 shares of its \$100 par value preferred stock.

5. New Cities Water Company under its new name of California Cities Water Company may execute and deliver an Indenture in substantially the same form as Exhibit 4, attached to the application and, for the purposes specified in the foregoing opinion, may issue not exceeding \$4,250,000 principal amount of its First Mortgage Bonds, 6.80%, Series A, Due April 1, 1997. The accrued interest, if any, may be used for such purposes or for general corporate purposes.

6. With respect to the stock authorized by Ordering Paragraph No. 1 hereof, New Cities Water Company shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

7. New Cities Water Company under its new name of California Cities Water Company shall file with the Commission statements, in lieu of reports under General Order No. 24-B, showing the purposes for which the stock and bond proceeds authorized by Ordering Paragraphs Nos. 3, 4 and 5 hereof were used.

8. Within thirty days after consummating the merger herein authorized, New Cities Water Company under its new name of California Cities Water Company shall notify the Commission, in writing, of that fact.

9. Not less than five days before the date of actual merger, New Cities Water Company under its new name of California Cities Water Company shall file with the Commission, by advice letter, a notice of adoption of the tariff schedules then in effect of the present California Cities Water Company and California Consolidated Water Company, Inc. The effective date of the notice of adoption shall be concurrent with the date of actual merger.

10. Within sixty days after the effective date of the merger herein authorized and in accordance with the requirements of General Order No. 96-A, New Cities Water Company under its new name of California Cities Water Company, as part of its tariffs, shall refile the tariff maps and rate schedules applicable to the areas served by the present California Cities Water Company and California Consolidated Water Company, Inc., and the rules and standard forms of the companies to be merged may be standardized to the extent that they do not result in increases in rates or more restrictive conditions than those then in effect.

11. Within sixty days after the consummation of the merger herein authorized, New Cities Water Company under its new name of California Cities Water Company shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

12. On or before the end of the third month after the consummation of the merger herein authorized, New Cities Water Company under its new name of California Cities Water Company shall cause to be filed with the Commission, in such form as it may prescribe, annual reports covering the operations of the present California Cities Water Company and

California Consolidated Water Company, Inc. for the period commencing with the first day of the current year to and including the effective date of the merger.

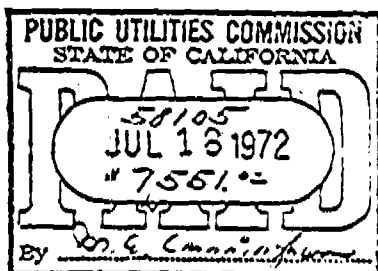
13. New Cities Water Company under its new name of California Cities Water Company shall maintain separate plant, depreciation reserve, direct expense and tax records in such manner as to permit ready determination of the original cost of plant and the costs of providing water service as if no merger occurred.

14. New Cities Water Company under its new name of California Cities Water Company shall fulfill the public utility obligations of the present California Cities Water Company and California Consolidated Water Company, Inc.

15. Upon compliance with all of the conditions of this order, the present California Cities Water Company and California Consolidated Water Company, Inc. shall stand relieved of all further public utility obligations pertaining to the operations of the public utility water systems herein authorized to be merged.

16. This order shall become effective when New Cities Water Company has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code. Unless exercised, any authority herein granted will expire on December 31, 1972.

Dated at Los Angeles, California, this 18th day of JULY 1, 1972.



Vernon L. Sturgeon
President
William J. Symons
John P. Brown
Edna E. Brown
Commissioners