

ORIGINAL

Decision No. 80826

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
 )  
CALIFORNIA WATER SERVICE COMPANY, )  
a corporation, and PALOS VERDES )  
WATER COMPANY, a corporation, )  
 )  
for an order authorizing (1) the )  
merger of Palos Verdes Water )  
Company into California Water )  
Service Company, (2) commencement )  
of service by California Water )  
Service Company in the territory )  
now served by Palos Verdes Water )  
Company, and (3) the issuance by )  
California Water Service Company )  
of an additional amount of its )  
First Mortgage Bonds. )

Application No. 53678  
(Filed November 6, 1972)

O P I N I O N

California Water Service Company and Palos Verdes Water Company seek authority to merge, and the former, as the surviving corporation, seeks authority to execute and deliver two Supplemental Indentures and to issue \$5,846,500 principal amount of its First Mortgage Bonds.

Applicants are California corporations engaged in supplying and distributing water for domestic and industrial purposes. California Water Service Company owns all the outstanding shares of Common Stock and Junior Preferred Stock of Palos Verdes Water Company. A consolidated balance sheet at September 30, 1972, as computed from reports filed by applicants herein with the Commission, is as follows:

Assets

Net utility plant	\$120,965,813
Current assets	7,671,184
Other assets	<u>882,052</u>
Total	<u>\$129,519,049</u>

Liabilities

Common stock	\$ 16,309,475
Preferred stock	3,974,065
Surplus	26,471,408
Long-term debt	54,828,500
Current liabilities	8,361,168
Advances for construction	14,363,955
Contributions in aid of construction	4,968,793
Other liabilities	<u>241,685</u>
Total	<u>\$129,519,049</u>

The application shows that, in addition to the shares of preferred stock held by its parent corporation, Palos Verdes Water Company has outstanding 5,377 other shares of preferred stock, which it proposes to redeem with funds to be advanced for that purpose by its parent corporation. Following such redemption, California Water Service Company and Palos Verdes Water Company propose to merge pursuant to the provisions of Section 4124 of the California Corporations Code with the former as the surviving corporation, the object being to decrease overhead expenses and to centralize certain management functions and responsibilities.

The surviving corporation further proposes to issue (a) \$1,193,500 principal amount of its First Mortgage 4-1/2% Bonds, Series Q, due 1975 in exchange for a like amount of outstanding First Mortgage Series A (4-1/4%) Bonds of 1975 of Palos Verdes Water Company, and (b) \$4,653,000 principal amount of its First Mortgage 6.6% Bonds, Series R, due 1988 in exchange for the following principal amounts outstanding of securities of Palos Verdes Water Company: \$1,344,000 of First Mortgage Series B 5-1/2% Bonds of 1987; \$1,374,000 of First Mortgage Series C 5-1/8% Bonds of 1989; \$975,000 of First Mortgage Series D 7% Bonds of 1993; and \$960,000 of 8-1/2% Notes due 1989. The proposed Series Q and R Bonds would be secured by an existing Indenture as supplemented, amended and modified by various documents including proposed Twenty-Second and Twenty-Third Supplemental Indentures, respectively.

After consideration the Commission finds that:

1. The proposed documents and transactions would not be adverse to the public interest.
2. The proposed bond issues are for proper purposes.
3. The money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein, which purposes 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. 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. Palos Verdes Water Company may merge into California Water Service Company.

2. California Water Service Company may execute and deliver a Twenty-Second Supplemental Indenture and a Twenty-Third Supplemental Indenture in substantially the same forms as Exhibits G and H, respectively, attached to the application.

3. California Water Service Company, for the purposes specified in the application, may issue not exceeding \$1,193,500 principal amount of its First Mortgage 4-1/2% Bonds, Series Q, and not exceeding \$4,653,000 principal amount of its First Mortgage 6.6% Bonds, Series R.

4. California Water Service 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.

5. Within thirty days after consummating the merger herein authorized, California Water Service Company shall notify the Commission, in writing, of that fact.

6. Not less than five days before the date of actual merger, California Water Service Company shall file with the Commission, by advice letter, a notice of adoption of the tariff schedules then in effect of Palos Verdes Water Company. The effective date of the notice of adoption shall be concurrent with the date of actual merger.

7. Within sixty days after the effective date of the merger herein authorized and in accordance with the requirements of General Order No. 96-A, California Water Service Company, as part of its tariffs, shall refile the tariff maps and rate schedules applicable to the area served by Palos Verdes Water Company, 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.

8. Within sixty days after the consummation of the merger herein authorized, California Water Service Company 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 herein authorized, California Water Service Company shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of Palos Verdes Water Company for the year 1972.

10. California Water Service 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.

11. California Water Service Company shall fulfill the public utility obligations of Palos Verdes Water Company as a separate district.

12. Upon compliance with all of the conditions of this order, Palos Verdes Water Company shall stand relieved of all further public utility obligations pertaining to the operations of the public utility water system herein authorized to be merged.

13. The effective date of this order is the date hereof. Unless exercised, any authority herein granted will expire on March 31, 1973.

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

Vernon L. Sturgeon  
President

William J. Squares Jr.

[Signature]

[Signature]  
Commissioners

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