

Decision No. 81891

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of

PARK WATER COMPANY
for authority to: (1) acquire
the common stock of Vandenberg
Utilities Company and Vandenberg
Disposal Company; (2) merge
Vandenberg Utilities Company and
Vandenberg Disposal Company into
Park Water Company; (3) grant
certificates of public convenience
and necessity to Park Water Company;
and (4) issue evidence of
indebtedness (promissory note or
notes), and (5) the application
of Vandenberg Utilities Company,
and Vandenberg Disposal to merge
with Park Water Company and to
be relieved of their public
utility obligations.

Application No. 54231
(Filed August 6, 1973)
and Amendment
(Filed August 24, 1973)

O P I N I O N

Vandenberg Utilities Co. and Vandenberg Disposal Company seek authority to merge into Park Water Company, and the latter seeks authority to issue (1) certificates evidencing 436 shares of its \$25 par value common stock, and (2) a promissory note in the principal amount of \$1,300,000.

Park Water Company is a California corporation engaged in the business of producing, distributing and supplying water in Los Angeles and San Bernardino Counties. Vandenberg Utilities Co. is a California corporation engaged in the business of producing, distributing and supplying water in Santa Barbara County. Vandenberg Disposal Company is a California corporation engaged in the business of collecting, treating and disposing of wastewater in Santa Barbara County.

Pursuant to a proposed Agreement of Merger, a copy of which is attached to the application as Exhibit B, Vandenberg Utilities Co. and Vandenberg Disposal Company would merge into Park Water Company. Upon the filing of the Agreement of Merger with the California Secretary of State, the 595 outstanding shares of \$500 par value common stock of Vandenberg Utilities Co. would be changed and converted into 268 shares of \$25 par value common stock of the surviving corporation, and the 600 outstanding shares of \$500 par value common stock of Vandenberg Disposal Company would be changed and converted into 168 shares of \$25 par value common stock of the surviving corporation.

A pro forma balance sheet as of June 30, 1973, reflecting the proposed merger, as summarized from Exhibit C, filed in this proceeding, is as follows:

Assets

Net utility plant	\$12,529,347
Investments	542,029
Current and accrued assets	981,988
Deferred debits	60,342
Total	<u>\$14,113,706</u>

Liabilities

Common stock	\$ 690,225
Capital surplus	1,960,506
Earned surplus	2,886,210
Long-term debt	3,131,733
Current and accrued liabilities	1,513,185
Advances for construction	742,341
Contributions in aid of construction	3,167,984
Other deferred credits	21,522
Total	<u>\$14,113,706</u>

Park Water Company, as the surviving corporation, proposes to issue certificates representing 436 shares of its \$25 par value common stock to the shareholders of Vandenberg Utilities Co. and Vandenberg Disposal Company, resulting from the conversion of shares of common stock of the latter two companies. In addition, Park Water Company proposes to borrow \$1,300,000 from Pacific Mutual Life Insurance Company to be used for (a) constructing and installing greensand filtration plants in the Vandenberg Utilities Co. service area at an estimated cost of \$385,000, (b) meeting Vandenberg Disposal Company's anticipated \$418,000 share of wastewater project costs within the drainage basin of Lompoc Valley, and (c) repaying approximately \$497,000 of short-term borrowings incurred for plant additions and betterments.

The new borrowing would be evidenced by a note maturing in 25 years and bearing interest at the rate of 8-1/2% per annum. The note would be nonrefundable for a period of 10 years and would be secured by an existing Mortgage and Security Agreement.

After consideration the Commission finds that:

1. The proposed merger would not be adverse to the public interest.
2. The proposed issues of stock certificates and note would be for proper purposes.
3. The proposed restricted prepayment provision is reasonable.
4. The money, property or labor to be procured or paid for by the issues of the stock certificates and note 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, as amended, should be granted. A public hearing is not necessary. The authorization herein granted is not to be construed as a finding of the value of applicants' stock or properties, 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. Vandenberg Utilities Co. and Vandenberg Disposal Company may merge into Park Water Company substantially in accordance with the terms and provisions of an Agreement of Merger, a copy of which is attached to the application as Exhibit B.
2. Park Water Company may issue certificates representing not exceeding 436 shares of its \$25 par value common stock in exchange for certificates representing all of the outstanding shares of common stock of Vandenberg Utilities Co. and Vandenberg Disposal Company.
3. Park Water Company, for the purposes specified in this proceeding, may issue a note in the principal amount of not exceeding \$1,300,000, which note shall be in substantially the same form as Exhibit J filed in this proceeding.
4. Park Water Company shall file with the Commission the reports 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, Park Water Company shall notify the Commission, in writing, of that fact.
6. Not less than five days before the date of actual merger, Park Water Company shall file with the Commission, by advice letter, a notice of adoption of the tariff schedules then in effect of Vandenberg Utilities Co. and Vandenberg Disposal 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, Park Water Company, as part of its tariffs, shall refile the tariff maps and rate schedules applicable to the areas served by Vandenberg Utilities Co. and Vandenberg Disposal 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, Park Water Company shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

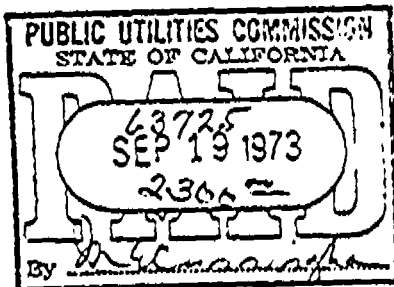
9. On or before the end of the third month after the consummation of the merger herein authorized, Park Water Company shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of Vandenberg Utilities Co. for the period commencing with the first day of the current year to and including the effective date of the merger.

10. Park 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 and wastewater services as if no merger occurred.

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11. This order shall become effective when Park Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,300.

Dated at San Francisco, California, this 14th day of September, 1973.



William L. Stearns
President
William L. Stearns Jr.
William L. Stearns Jr.
William L. Stearns Jr.
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.