

Decision No. 83735**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SAN GABRIEL VALLEY WATER COMPANY)	Application No. 55260
and of VALLECITO WATER COMPANY for)	(Filed October 21, 1974)
Authority to Merge.)	

O P I N I O N

San Gabriel Valley Water Company and Vallecito Water Company seek authority to merge.

Applicants are California corporations engaged in the business of producing, distributing and selling water in Los Angeles County. San Gabriel Valley Water Company also distributes and sells water in San Bernardino County.

Pursuant to a proposed Merger Agreement, a copy of which is attached to the application as Exhibit E, Vallecito Water Company would merge into San Gabriel Valley Water Company. The application indicates that San Gabriel Valley Water Company owns 64,273 of the 67,081 outstanding shares of capital stock of Vallecito Water Company. Upon the merger becoming effective, each outstanding share of capital stock of Vallecito Water Company would be converted into the right to receive \$16.10, except that, in the case of shares held by San Gabriel Valley Water Company, no actual payment of cash would be made. In accordance with Decision No. 66140, dated October 15, 1963, as last modified by Decision No. 80571, dated October 3, 1972, in Application No. 45443, San Gabriel Valley Water Company has authority to purchase capital stock of Vallecito Water Company at a maximum price of \$16.10 per share.

A pro forma balance sheet as of August 31, 1974, reflecting the proposed merger, as summarized from Exhibit C attached to the application, is as follows:

<u>Assets</u>	
Current assets	\$ 1,457,033
Net utility plant	22,411,852
Investments	206,156
Other assets	69,941
Total	<u>\$24,144,982</u>
<u>Liabilities</u>	
Current and accrued liabilities	\$ 1,422,086
Common stock equity	5,618,073
Preferred stock	1,112,500
Long-term debt	9,480,000
Advances for construction	2,738,058
Contributions in aid of construction	3,563,062
Other liabilities	211,203
Total	<u>\$24,144,982</u>

The application indicates that substantial benefits would result from the proposed merger, such as: (1) elimination of the expense of maintaining two separate corporate entities; (2) elimination of inter-company accounting; (3) elimination of duplicating tariffs; (4) improved reliability of water supply; (5) elimination of necessity for inter-company metered connections; (6) strengthening the surviving corporation's capital structure; and (7) conversion of the surviving corporation's present investment in Vallecito Water Company into bondable property.

After consideration the Commission finds that: (1) the proposed merger would not be adverse to the public interest; and (2) with reasonable certainty the project involved in this proceeding will not have a significant effect on the environment.

On the basis of the foregoing findings we conclude that that application 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 the assets or capital stock of Vallecito Water Company.

O R D E R

IT IS ORDERED that:

1. On or before March 31, 1975, Vallecito Water Company may merge into San Gabriel Valley Water Company in accordance with a Merger Agreement, which document shall be in substantially the same form as that attached to the application as Exhibit E.
2. San Gabriel Valley Water Company shall assume all obligations contemplated by Section 4116 of the Corporations Code, which obligations shall include, but not be limited to, those which ultimately may be found to be owed by Vallecito Water Company to Prudential Savings and Loan Association and Affiliated Properties, Inc. as a result of the proceedings reopened by Decision No. 83299, dated August 20, 1974.
3. Upon consummation of the merger herein authorized, a certificate of public convenience and necessity is hereby granted to San Gabriel Valley Water Company covering the area which Vallecito Water Company is presently authorized to serve.
4. San Gabriel Valley Water Company, as the surviving corporation, may operate the present Vallecito Water Company water system as the Vallecito Tariff Area of its El Monte Division.

5. Not less than five days before the date of actual merger, San Gabriel Valley Water Company shall file with the Commission, by advice letter, a notice of adoption of Schedules Nos. 1, 3 and 5, and Form No. 9 of Vallecito Water Company, and shall apply in the Vallecito Tariff Area those of its tariffs, other than those for service provided under the schedules and form enumerated above, as are applicable to service in its El Monte Division. The effective date of the notice of adoption shall be concurrent with the date of actual merger.

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

7. Within thirty days after consummating the merger herein authorized, San Gabriel Valley Water Company shall notify the Commission, in writing, of that fact.

8. Within sixty days after the consummation of the merger herein authorized, San Gabriel Valley 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, San Gabriel Valley Water Company shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of Vallecito Water Company for the period commencing with the first day of the year in which the merger occurs to and including the effective date of the merger.

10. San Gabriel Valley Water Company shall maintain separate plant, depreciation reserve, operating revenue and direct expense records for the area now served by Vallecito Water Company in such manner as to permit ready determination of the original cost of plant and the cost of providing water service as if no merger occurred.

11. To the extent necessary for supplementing existing preservation of records requirements, San Gabriel Valley Water Company shall preserve all records of Vallecito Water Company applicable to the proceedings reopened by said Decision No. 83299 until such time as they have been finally resolved either by this Commission or by the courts.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day of November, 1974.

William S. Squire President
[Signature]
[Signature]
Robert E. Myland Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.