

Decision No. 84781

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
TEMESCAL WATER COMPANY, a corporation,)
and TEMESCAL UTILITY COMPANY, a)
corporation, for Authority to Sell)
Property, Issue Stock and Reorganize)
Control.)

Application No. 55724
(Filed June 6, 1975)

O P I N I O N

Temescal Water Company seeks authority to sell and transfer its public utility assets to its proposed wholly owned subsidiary, Temescal Utility Company, and the latter seeks authority to issue 9,751 shares of its \$10 par value capital stock. After the transfer Temescal Water Company will be renamed Temescal Holding Company, and Temescal Utility Company will be renamed Temescal Water Company.

Temescal Water Company is a California corporation engaged primarily in the business of distributing water to irrigation customers in a portion of Riverside County. For the year 1974, the company's reported water service revenues amounted to \$479,912 segregated between irrigation customers and general customers in the respective amounts of \$473,047 and \$6,865.

In addition to its public utility operations Temescal Water Company has various non-related business interests. In order to segregate its water business from its other operations Temescal Water Company proposes to transfer all of its utility assets to Temescal Utility Company, a California corporation incorporated on January 3, 1975. Applicants assert that the separation of businesses will facilitate smoother management and more efficient operation, and will simplify bookkeeping, government regulation and taxation.

Applicants' pro forma balance sheets as of April 30, 1975, after giving effect to the proposed transactions, name changes and adjustments for reacquired stock, are summarized from data set forth in Exhibits B and C attached to the application, as follows:

	<u>Temescal Holding Company</u>	<u>Temescal Water Company</u>
<u>Assets</u>		
Net utility plant		\$1,780,129
Investment in Temescal Water Company	\$1,665,327	
Current and other assets	<u>479,320</u>	<u>464,272</u>
Total	<u>\$2,144,647</u>	<u>\$2,244,401</u>
<u>Liabilities</u>		
Common stock (9,751 shares \$100 par)	\$ 975,100	
Common stock (9,751 shares \$10 par)		\$ 97,510
Canyon Line stock (2 shares \$50 par)	100	
Surplus	1,159,088	1,567,817
Contributions in aid of construction		184,075
Current and other liabilities	<u>10,359</u>	<u>394,999</u>
Total	<u>\$2,144,647</u>	<u>\$2,244,401</u>

After consideration the Commission finds that: (1) the proposed transactions would not be adverse to the public interest; (2) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein; and (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing this decision we place Temescal Utility Company and its proposed 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 it should be allowed to earn on its investment in plant, and that the authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Temescal Water Company seeks to transfer its water system to Temescal Utility Company which will be responsible for the refunds, as they become due and payable, and customers' deposits and subdividers' advances for construction that are held by the utility. No operational changes will be made as a result of the transfer.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1975, Temescal Water Company may sell and transfer all of its public utility assets to Temescal Utility Company.
2. As a condition of this grant of authority, transferee shall assume the public utility obligations of transferor within the area served by the water system being transferred, and shall assume liability for refunds of all existing customer deposits and advances pertaining to the water system transferred.
3. On or after the effective date hereof and on or before December 31, 1975, Temescal Utility Company may issue not exceeding 9,751 shares of its \$10 par value capital stock to Temescal Water Company in exchange for the public utility assets and assumption of related debts and obligations of Temescal Water Company.

4. Temescal Water Company (name to be changed to Temescal Holding Company) may control Temescal Utility Company (name to be changed to Temescal Water Company).

5. Within ten days after completion of the transfer authorized by paragraph 1 of this order, transferee shall notify the Commission, in writing, of the date of completion.

6. Transferee 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. Transferee shall either file a statement adopting the tariffs of transferor now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order No. 96-A. No increase in rates shall be made unless authorized by this Commission.

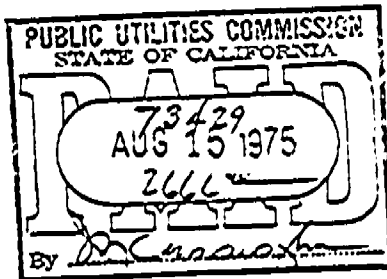
8. On or before the date of actual transfer, Temescal Water Company shall deliver to Temescal Utility Company, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

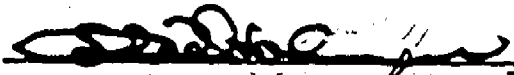
9. Within sixty days after consummating the transactions authorized by paragraphs 1 and 3 hereof, transferee shall file with the Commission a copy of each journal entry used to record the transactions on its books of account.

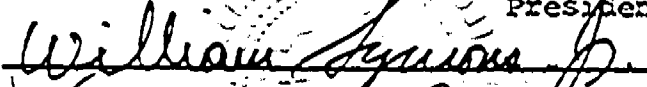
10. Upon compliance with all of the terms and conditions of this order, transferor shall be relieved of its public utility obligations in connection with the water system transferred.


11. This order shall become effective when Temescal Utility Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$2,666.

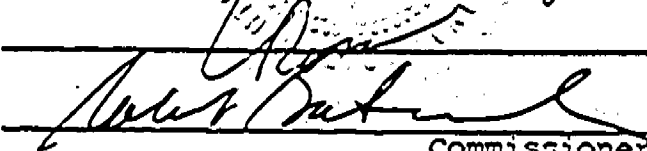
Dated at San Francisco, California, this 12th day of August, 1975.





President.






Commissioners