

ORIGINAL

Decision No. 85622

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the)	
Southern California Water Company for)	
an order authorizing it (a) to acquire)	Application No. 56311
all of the outstanding Capital Stock of)	(Filed March 4, 1976)
California Cities Water Company, and)	
(b) to issue not exceeding \$4,000,000)	
aggregate principal amount of unsecured)	
notes.)	

O P I N I O N

Southern California Water Company seeks authority to acquire all the outstanding capital stock of California Cities Water Company, and to issue not exceeding \$4,000,000 aggregate principal amount of unsecured notes.

Applicant is a California corporation operating as a public utility rendering water service in portions of the counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino and Ventura. In addition, the company provides electric service in the vicinity of Big Bear Lake in San Bernardino County. For the year 1975, its reported total operating revenues and net income amounted to \$21,123,106 and \$2,321,470, respectively. As summarized from Exhibit A, attached to the application, the utility's reported assets and liabilities at December 31, 1975, were as follows:

Assets

Utility plant - less accumulated depreciation	\$74,405,133
Investments	213,020
Current assets	4,673,267
Deferred charges	<u>540,611</u>
Total	<u>\$79,832,031</u>

Liabilities

Common stock	\$ 6,975,665
Capital surplus	2,702,236
Earned surplus	10,988,638
Preferred stock	6,040,000
Long-term debt	29,989,772
Current liabilities	5,630,784
Advances for construction	11,458,189
Contributions in aid of construction	<u>6,046,747</u>
Total	<u>\$79,832,031</u>

Applicant has agreed to purchase all the outstanding capital stock of California Cities Water Company, a California corporation engaged in the public utility water business in portions of the counties of Lake, Los Angeles, Orange, Santa Barbara, San Bernardino and San Luis Obispo. California Cities Water Company's unaudited operating revenues and net income for 1975 amounted to \$2,453,163 and \$44,348, respectively.

The basic purchase price for the outstanding capital stock of California Cities Water Company is \$3,400,000, which price is substantially less than the book value. In order to obtain funds for financing the stock acquisition and for reimbursing its treasury for capital expenditures, applicant proposes to issue and sell \$2,000,000 of its 9-1/4% unsecured promissory notes due in 1983 in favor of Massachusetts Mutual Life Insurance Company, and two \$1,000,000 three-year unsecured term notes, one in favor of

Harris Trust and Savings Bank and the other in favor of United California Bank. The term notes would bear interest at the rate per annum of 12 1/2% of the floating prime rate charged by the respective banks for 90-day loans to their most substantial and creditworthy commercial borrowers.

Applicant recognizes that California Cities Water Company has extensive service problems in portions of its service areas, which problems include a shortage of water supply in the Wrightwood service area in the San Bernardino mountains, and high nitrate levels in certain wells that serve portions of its San Dimas system. In this connection the application states: "Applicant will aggressively pursue solutions to these service problems and will implement the solutions as soon as practical." Applicant is hereby placed on notice that we intend to monitor its efforts in this regard. The public's interest requires implementation of this proceeding as quickly as possible.

After consideration the Commission finds that:

1. The proposed notes would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed documents and transactions would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the notes 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 action taken herein is for the purpose of this proceeding only, and is not to be construed as indicative of

amounts to be included in proceedings for the determination of just and reasonable rates.

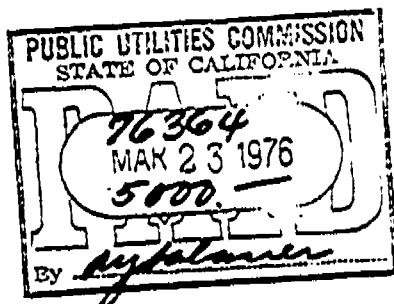
O R D E R

IT IS ORDERED that:

1. Southern California Water Company may purchase, acquire and hold all of the issued and outstanding capital stock of, and may control, California Cities Water Company.
2. Southern California Water Company may execute, deliver and enter into an Agreement for the Purchase and Sale of the Stock of California Cities Water Company, a Loan Agreement, and a Term Loan Agreement, which documents shall be in substantially the same forms as Exhibits B, C and D, respectively, attached to the application.
3. Southern California Water Company may issue and sell unsecured notes in the aggregate principal amount of not exceeding \$4,000,000, which notes shall be in substantially the same forms as Exhibit A to Exhibit C and Exhibit A to Exhibit D attached to the application.
4. Southern California Water Company shall apply the proceeds from the notes herein authorized to the purposes set forth in the application.
5. Southern California 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.

6. This order shall become effective when Southern California Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,000.

Dated at Los Angeles, California, this 23rd day of MARCH, 1976.



[Signature] President
William Aguero
Hernon L. Stinson
[Signature]
[Signature] Commissioners