

Decision 89 06 008

JUN 7 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 CALIFORNIA WATER SERVICE COMPANY )  
 (U 60 W), a corporation, and its )  
 wholly owned subsidiary WATER )  
 WEST CORPORATION (U 217 W), a )  
 corporation, for an order autho- )  
 rizing (1) the merger of WATER )  
 WEST CORPORATION into CALIFORNIA )  
 WATER SERVICE COMPANY and )  
 (2) commencement of service by )  
 CALIFORNIA WATER SERVICE COMPANY )  
 in the territory served by WATER )  
 WEST CORPORATION. )

Application 89-02-040  
 (Filed February 21, 1989)

OPINION

This is an application in which California Water Service Company (Cal Water) seeks authority to merge with its wholly owned subsidiary, Water West Corporation (Water West), with Cal Water, the surviving corporation, providing service in the territory now served by Water West.

Notice of the filing of the application appeared in the Commission's Daily Calendar on February 23, 1989. There are no protests.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Cal Water is a California corporation. It is a public utility which supplies and distributes water for domestic and industrial purposes in many localities in California from Chico in the north to the Palos Verdes Peninsula in the south, including portions of the City of Salinas, the City of King City, and

unincorporated portions of Monterey County. Cal Water has more than 337,000 customers in 21 districts in California.

3. Water West is a California corporation. It is a public utility which supplies and distributes water for domestic purposes to approximately 2,777 customers in three separate divisions: Bolsa Knolls, Las Lomas, and Oak Hills. In Decision (D.) 89-04-045 in Application 88-11-043, dated April 12, 1989, the Commission authorized Water West to sell its Rancho Del Monte water system to California-American Water Company. The Bolsa Knolls Division is contiguous to the northeast portion of Cal Water's Salinas District; the Las Lomas Division is south of the City of Watsonville; the Oak Hills Division is east of the town of Castroville; and the Rancho Del Monte Division is located in the Carmel Valley.

4. On May 20, 1988, Cal Water acquired all of the outstanding shares of capital stock of Water West in accordance with D.88-05-010 dated May 11, 1988. Water West is currently a wholly owned subsidiary of Cal Water. It is Cal Water's only subsidiary.

5. Water West's shareholders, officers, and directors changed as a result of the acquisition by Cal Water. Its tariffs were not changed nor were Water West's public utility obligations affected by the acquisition. Water West continued to exist as a separate entity for purposes of dealing with its customers and with the Commission. However, all of Water West's operations were taken over and are being performed by Cal Water employees. All three Water West divisions are currently operated from Cal Water's Salinas District Office. Each Water West division is currently operated as a separate system. Cal Water anticipates that at some time in the future the Bolsa Knolls Division will be physically and operationally consolidated with its Salinas District system. Cal Water also anticipates that Oak Hills and Las Lomas Divisions, which are several miles distant from the Salinas system, will be

operationally merged with its Salinas District at some time in the future.

6. Cal Water proposes that Water West be merged into Cal Water in accordance with the terms of an Agreement and Plan of Liquidation between Cal Water and Water West, which is attached to the application as Exhibit A. Because Water West is a wholly owned subsidiary of Cal Water, the proposed merger requires only the approval of Cal Water's Board of Directors. No shareholder approval is required. On consummation of the merger, Water West would cease to exist as a corporation and all of Water West's estate, property, rights, and privileges would vest in and be held by Cal Water, subject to all of Water West's debts, liabilities, and obligations.

7. The undepreciated book cost of the Water West properties was \$3,708,412 as of December 31, 1988. This amount represents original cost so far as original cost can be ascertained. The undepreciated book value of Cal Water's Utility Plant as of December 31, 1988 was \$389,377,119, including construction work in progress, and \$2,082,357 in respect of intangible assets. At December 31, 1988, Cal Water's reserve for depreciation was \$101,872,611, and its reserve for amortization was \$773,918. There will be no change in Cal Water's capitalization ratios as a result of the proposed merger.

8. Since Water West will cease to exist as a corporation after consummation of the proposed merger, Cal Water requests authority to serve the territory served by Water West at the time of the merger, and Water West has requested that it be simultaneously relieved of all its obligations as a public utility. Cal Water proposes to serve Water West's customers on the following terms. After the merger, Cal Water would retain the Water West rates in effect for service furnished in the former Water West service areas. Cal Water proposes to substitute its rules and standard forms for Water West's rules and standard forms. Cal

Water will keep each Water West division as a separate district for ratemaking purposes.

9. The proposed merger of Water West into Cal Water is not adverse to the public interest.

10. In the light of the merger, Cal Water should be authorized to serve the territory served by Water West at the time of the merger.

11. It can be seen with certainty that there is no possibility that a granting of this application may have a significant effect of the environment.

12. Since the order only affects the parties to it, it should be made effective on the date of issuance.

Conclusion of Law

The application should be granted.

This authorization is not a finding of the value of the rights and properties to be transferred.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order California Water Service Company (Cal Water) is authorized to merge with its wholly owned subsidiary, Water West Corporation (Water West), with Cal Water being the surviving corporation.

2. Cal Water shall file written notice of the merger with the Commission Advisory and Compliance Division's Water Utilities Branch within 15 days after it is consummated.

3. Upon consummation of the merger, Cal Water shall succeed to all of the operating authority held by Water West at the time of merger. Cal Water shall continue to use Identification No. U 60 W in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

Identification No. U 217 W assigned to Water West is revoked.

4. Cal Water shall either file a statement adopting Water West's tariffs or refile those tariffs under its own name, with Cal Water's rules and standard forms, as prescribed in General Order Series 96. Rates shall not be increased unless authorized by the Commission.

5. When this order has been complied with, Water West shall have no further public utility obligations in connection with the operating authority and assets transferred.

6. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before June 30, 1990.

This order is effective today.

Dated JUN - 7 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

Commissioner Frederick R. Duda,  
being necessarily absent, did  
not participate.

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*Victor Weiss*

Victor Weiss, Executive Director