

Decision 89 09 011 SEP 7 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of DOMINGUEZ WATER CORPORATION (U 330 W) and ARDEN WATER COMPANY (U 282 W) for an Order authorizing the acquisition of all of the outstanding shares of capital stock of Arden Water Company by Dominguez Water Corporation in exchange for shares of Dominguez Water Corporation Common Stock.

ORIGINAL

Application 89-03-009
(Filed March 9, 1989)

OPINION

This is an application in which Dominguez Water Corporation (Dominguez) seeks authority to acquire control of Arden Water Company (Arden) by the acquisition of all of Arden's capital stock in return for capital stock to be issued by Dominguez.

Notice of the filing of the application appeared in the Commission's Daily Calendar on March 13, 1989. A memorandum dated May 23, 1989, by the Commission Advisory and Compliance Division's Water Utilities Branch (Water Branch) designated Exhibit 1, details public meetings held by the Water Branch in a related matter at which the prospect of sale was discussed. 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. Dominguez is a California corporation. It is a public utility which provides water service to approximately 28,000 customers in a 35 square mile service area which includes most of the City of Carson, a large portion of the City of Torrance, a modern industrial subdivision in the City of Compton, a strip of Los Angeles County, and a new commercial subdivision in the City of Los Angeles. Dominguez owns all of the outstanding capital

stock of Antelope Valley Water Company and Kernville Domestic Water Company which serve customers located in Northern Los Angeles and Kern Counties. Dominguez also owns all of the outstanding capital stock of Hydro-Metric Service Corporation, which distributes water meters and water control devices, while also specializing in meter service and repair in southern California.

3. Arden is a California corporation. It is a public utility which provides water service to approximately 1,056 customers in and around the town of Wofford Heights.

4. On January 20, 1989, the parties entered into an agreement under which Dominguez will issue an aggregate of 18,750 shares of its common stock to Arden's shareholders in specified amounts in exchange for all of their outstanding shares of Arden's common stock. Dominguez currently has approximately 979,620 shares of its common stock outstanding. The common stock is quoted on NASDAQ. For the last quarter of 1988 the high was \$15.75 and the low \$14.75 with a closing price of \$14.75 on December 31, 1988.

5. Arden's water system requires immediate improvement and repair as well as additional supplies of water. It does not have the financial resources either to make the improvements and repairs or to obtain the additional sources of supply that are necessary to insure that adequate and safe water is delivered to its customers. Dominguez is capable of financing the improvements necessary to upgrade Arden's system. Dominguez will also provide the necessary personnel to improve the operation and maintenance of the Arden system so as to provide timely responses to customer complaints and materials and personnel for emergency repairs. The shareholders of Arden wish to be relieved of the responsibility of operating a public utility water system as the company is not capable of financing the improvements to meet California Department of Health Services requirements.

6. As of September 30, 1988, the original cost less depreciation of Arden's utility plant was \$857,774. Its total assets were \$976,736.

7. As of September 30, 1988, Dominguez had total assets of \$32,686,688. Its operating revenues for the nine months ending September 30, 1988 were \$14,644,386.

8. The application avers that no change in rates is sought therein.

9. Dominguez has the ability, including financial ability, to acquire control of Arden and continue its operations.

10. The proposed transfer of control of Arden from its present shareholders to Dominguez is not adverse to the public interest.

11. The issuance of stock by Dominguez, a public utility, to the shareholders of Arden as a part of the acquisition transaction requires a certificate by the Commission, pursuant to Public Utilities (PU) Code § 816 et seq. and the payment of fees pursuant to PU Code § 1904.1.

12. It is reasonable to use the mean value per share for 1988, which is \$15.25 in calculating the fee under PU Code § 1904.1.

13. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it are required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

14. Because the public interest would best be served by having the sale and transfer take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusions of Law

1. The application should be granted.
2. Dominguez should be authorized to issue 18,750 shares of its common stock.

This authorization is not a finding of the value of the rights and properties over which control is to be acquired.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Dominguez Water Corporation (Dominguez) may acquire control of Arden Water Company (Arden) by the acquisition of all of Arden's outstanding capital stock from Arden's shareholders in accordance with the terms of the application.

2. Within 30 days after the transfer of capital stock hereby authorized, Arden shall notify the Commission in writing of that fact.

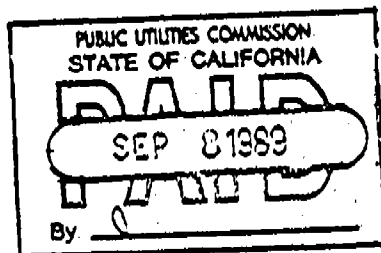
3. The authority granted by this order shall expire on October 31, 1990, if it has not been exercised by that date.

4. The authority granted by this order to issue stock will become effective when the issuer pays \$572 set by PU Code § 1904.1. ✓

In all other respects this order is effective today.

Dated SEP 7 1989, at San Francisco, California.

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



Rec # 33027
\$572.-

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

WESLEY FRANKLIN, Acting Executive Director

AB

This authorization is not a finding of the value of the rights and properties over which control is to be acquired.

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1. On or after the effective date of this order, Dominguez Water Corporation (Dominguez) may acquire control of Arden Water Company (Arden) by the acquisition of all of Arden's outstanding capital stock from Arden's shareholders in accordance with the terms of the application.

2. Within 30 days after the transfer of capital stock hereby authorized, Arden shall notify the Commission in writing of that fact.

3. The authority granted by this order shall expire on October 31, 1990, if it has not been exercised by that date.

4. The authority granted by this order to issue stock will become effective when the issuer pays \$3,860 set by PU Code § 1904.1.

In all other respects this order is effective today.

Dated _____, at San Francisco, California.