

Decision 90 07 042 JUL 18 1990

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Dominguez Water Corporation (U 330 W), KERNVILLE DOMESTIC WATER COMPANY (U 295 W), and COUNTRY LANE WATER COMPANY, INC. (U 287 W) for an Ex Parte hearing and Order authorizing the acquisition of certain assets of Country Lane Water Company, Inc. by Kernville Domestic Water Company in exchange for shares of Dominguez Water Corporation Common Stock.

Application 89-12-014  
(Filed December 11, 1989)

O P I N I O N

This is an application in which Dominguez Water Corporation (Dominguez) and Kernville Domestic Water Company (Kernville) seek authority to acquire the assets of Country Lane Water Company, (Country Lane) in exchange for capital stock of Dominguez.

Notice of the filing of this application appeared in the Commission's Daily Calendar on December 13, 1989, and customers were notified on January 10, 1990. There are no protests.

The Water Utilities Branch of the Commission Advisory and Compliance Division reviewed the application and submitted a report. The report recommends that the request be granted ex parte, since it is in the public interest.

We take note that on May 4, 1990, the Commission in Decision 90-05-008 authorized Country Lane to incorporate as Country Lane Water Company, Inc. (Country Lane, Inc.). The decision also authorized Country Lane, Inc. to acquire all the assets of Country Lane from its sole owner, Timothy O. Witt, in exchange for 6,000 shares of its stock.

The application is granted.

Findings of Fact

1. A public hearing is not necessary.
2. Dominguez operates as a water corporation as defined in Public Utilities (PU) Code § 241 subject to the jurisdiction of the Commission. Dominguez provides water service to approximately 28,000 customers in a 35-square mile service area that includes parts of the Cities of Carson and Torrance, and the City and County of Los Angeles. Dominguez owns all the outstanding capital stock of Kernville and Antelope Valley Water Company which serve customers located in northern Los Angeles and Kern Counties. Dominguez also owns all the outstanding capital stock of Hydro-Metric Service Corporation, which distributes water meter and water control devices, while also specializing in meter service and repair in Southern California.
3. Kernville operates as a water corporation as defined in PU Code § 241 subject to the jurisdiction of the Commission. Kernville provides water service to approximately 500 customers in Kern County.
4. Country Lane, Inc., which is solely owned by Witt, operates as a water corporation as defined in PU Code § 241 subject to the jurisdiction of the Commission. Country Lane, Inc. provides water service to approximately 256 customers in and around the Town of Onyx, California. It has approximately 23,100 feet of water mains. Country Lane, Inc.'s water supply consists of three wells which pump water from local groundwater aquifers to storage tanks. Booster pumps supply water to two hydropneumatic pressure tanks into distribution mains for delivery to its metered customers. Except for 1,320 feet of 4-inch galvanized mains and 900 feet of 2-inch galvanized mains, Country Lane, Inc.'s system meets General Order 103 requirements. The galvanized mains will eventually have to be replaced. Country Lane, Inc.'s water supplies presently meet the water quality standards of the Department of Health Services.

5. Witt desires to be relieved of public utility responsibility. Witt alleges that Country Lane, Inc. is not capable of receiving a reasonable rate of return on its investment, and is unable to provide adequate service at present rates.

6. Kernville indicates that it is capable of financing future improvements that may be necessary to upgrade Country Lane, Inc. Kernville states it will also provide the necessary personnel to operate, maintain, and provide timely response to customer complaints and emergencies requiring repairs.

7. Dominguez and Kernville entered into an Asset Acquisition Agreement and Plan of Reorganization (Acquisition Agreement), attached to the application as Exhibit C, dated October 4, 1989 with Country Lane and Witt. Under the Acquisition Agreement, Dominguez will issue an aggregate of 6,000 shares of its common stock to Country Lane as consideration for the sale and transfer to Kernville of Country Lane assets described in Section 1.2 of the Acquisition Agreement. Dominguez' common stock was quoted at \$14.75 per share on October 3, 1989 on NASDAQ. Based on that stock price, the purchase price is \$88,500. As a part of the transfer, Kernville will receive from Witt 1,000 shares of stock of Country Lane, Inc.

8. As of December 31, 1988, the original cost less depreciation of Country Lane water plant was \$118,829. Its total assets were \$125,252.

9. As of September 30, 1989, Dominguez had total assets of \$36,680,380. Its operating revenues for the nine months ended September 30, 1989 were \$15,382,740.

10. As of September 30, 1989, Kernville had total assets of \$1,130,898. Its operating revenues for the nine months ended September 30, 1989 were \$143,142.

11. The application avers that no change in rates is sought.

12. Kernville and Dominguez have the ability, including financial ability, to acquire control of Country Lane, Inc. and continue its operations.

13. The proposed transfer of control of Country Lane, Inc. from Witt to Kernville is not adverse to the public interest.

14. The issuance of stock by Dominguez, a public utility, to Witt as part of the acquisition transaction requires a certificate by the Commission, pursuant to PU Code § 816 et seq. and the payment of fees pursuant to PU Code § 1904.1.

15. It is reasonable to use the October 3, 1989 value for Dominguez stock at \$14.75 per share in calculating the fee under PU Code § 1904.1.

16. 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.

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

Conclusions of Law

1. The application should be granted.
2. Dominguez should be authorized to issue 6,000 shares of its common stock.

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

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Kernville Domestic Water Company (Kernville) may acquire control of Country Lane Water Company, Inc. (Country Lane, Inc.) in accordance with

the terms of the application, receiving from Timothy O. Witt all 6,000 shares of stock of Country Lane, Inc. ✓

2. As a condition of the grant of this authority, Kernville shall assume the public utility obligations and the liability for refunds of all existing customer deposits of Country Lane, Inc.

3. Within 10 days after transfer, Kernville shall write the Commission, stating the date of transfer and the date the requirements of Ordering Paragraph 2 were completed.

4. Kernville shall either file a statement adopting Country Lane, Inc. tariffs or refile those tariffs under its own name as prescribed in General Order 96. Rates shall not be increased unless authorized by this Commission.

5. Before the transfer occurs, Country Lane, Inc. shall deliver to Kernville, and Kernville shall keep all records of the construction and operation of the water system.

6. On or after the effective date of this order, for the purposes specified, Dominguez Water Corporation (Dominguez) may issue 6,000 shares of its one class of stock. The number of shares outstanding and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of Dominguez stock or property nor does it indicate the amounts to be included in ratesetting proceedings.

7. Kernville shall continue to use the plant and accumulated depreciation figures currently in the Country Lane, Inc. books for regulatory and ratemaking purposes unless these figures are modified by further order of the Commission.

8. When this order has been complied with, Witt shall have no further obligations in connection with this water system.

9. The application is granted as set forth above.

The authority granted by this order to issue stock will become effective when the issuer pays \$251 to the Commission, set forth by PU Code § 1904.1. In all other respects this order is effective today.

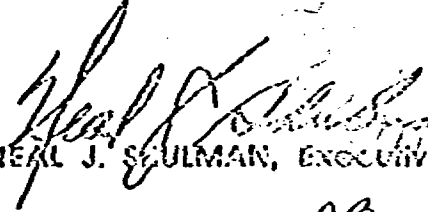
Dated JUL 18 1990, at San Francisco, California.

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



# 33813  
# 251<sup>00</sup>

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

  
NEAL J. SEULMAN, Executive Director

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