

RR/TC/DV/WPSC

ORIGINALDecision No. 82 04 024 APR - 6 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of METROPOLITAN WATER)
 COMPANY, METROPOLITAN DEVELOPMENT)
 CORPORATION; and FIRST CITY HOLD-)
 INGS (CALIFORNIA), INC., pursuant)
 to P.U.C. Section 854, seeking)
 authorization of transfer of)
 shares and convertible notes.)

Application 61152
 (Filed December 23, 1981)

O P I N I O N

Metropolitan Development Corporation (Metropolitan Development) requests authority to transfer and First City Holdings (California), Inc. (First City) requests authority under Public Utilities (PU) Code Section 854 to acquire control of Metropolitan Water Company (Water Company) through the acquisition of all of the outstanding capital stock and convertible promissory notes of Water Company.

Notice of the filing of the application appeared in the Commission's Daily Calendar of December 29, 1981. All customers of the Water Company were notified of the application's filing by means of a direct mailing on January 1, 1982. A form of the letter sent to the Water Company's customers is attached to the application as Exhibit H. No protests have been received.

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Water Company is a public utility which provides water service to 1200 customers in the area of Ventura County known as Oak Park. For the 9 months ended September 30, 1981, the utility reported it generated operating revenues of \$273,792 and net income of \$76,989, shown as part of Exhibit F, attached to the application.

Metropolitan Development and First City are affiliated companies engaged in the development and sale of residential, industrial and commercial real estate in Southern California. These companies are subsidiaries of First City Developments Corp., (First City Developments), Seattle, Washington. First City Developments is a subsidiary of First City Development Corp. Ltd., Vancouver, B.C.

Metropolitan Development has been principally engaged in the business of land development and has owned all of the undeveloped portions of Oak Park. Metropolitan Development owns 100% of the Water Company's convertible notes and outstanding capital stock. The Water Company has issued 815 shares of its \$500 par value common stock. Authority to issue its convertible notes and common stock was granted by Commission Decision (D.) 67845, dated September 15, 1964 in Application (A.) 45981, and D. 88431, dated January 31, 1978, in A. 57638. At the time of the proposed transfer, it is anticipated that the convertible notes will be in the aggregate principal sum of \$200,000.

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The reason for the proposed transfer of the Water Company capital stock and convertible notes from Metropolitan Development to First City is to accomplish a plan of reorganization of all the affiliated companies engaged in real estate development. A proxy statement furnished by applicant's attorney to the Revenue Requirements Division indicates that an agreement under the plan of reorganization requires Metropolitan Development to reduce its asset values by a disposing of certain property, including the undeveloped land in Oak Park and the capital stock of Water Company by transferring the property to First City. In consideration for this transfer Metropolitan Development will be relieved of a portion of its liabilities to affiliated companies.

Applicant's attorney, by letter dated February 24, 1982, furnished the Revenue Requirements Division with the financial statements of First City Developments, and a copy of a letter from First City Developments to the Water Company. This letter, dated January 15, 1982, states that First City Developments will furnish Water Company with the capital needed for water systems, structures, and equipment, in the event that First City is financially

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unable to do so. A review of First City Development's financial statements by the Revenue Requirements Division indicates that the company has the financial ability to advance capital to the Water Company.

The Water Company, Metropolitan Development, and First City all allege that the transfer is in the public interest because the transfer preserves the unity of interest between Oak Park and its underlying water system and ensures that the Water Company will continue to be managed and operated by those who manage the development of the locale served by the Water Company.

The Revenue Requirements Division and the Utilities Division have reviewed the application and have no objection to the proposed transfer of control.

The applicants request that the Order be made effective when signed in order to complete the transfers which are pending.

Findings of Fact

1. The Water Company is a public utility operating under the jurisdiction of this Commission.

2. Applicants request authority enabling Metropolitan Development to transfer all of the Water Company's issued and outstanding capital stock and certain convertible notes to First City.

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3. Assurances of financial backing by First City Development Corp. (of Seattle, Washington) are in the public interest.

4. The proposed transfer would not be adverse to the public interest.

5. There is no known opposition and no reason to delay granting the authority requested.

6. Applicants request the authority when granted to be made effective when signed.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of Water Company's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

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O R D E R

IT IS ORDERED that:

1. On or after the effective date of this Order and on or before December 31, 1982, Metropolitan Development Corporation (Metropolitan Development) may transfer all of the issued and outstanding capital stock and convertible promissory notes of Metropolitan Water Company (Water Company) to First City Holdings (California), Inc. (First City).

2. First City may control Water Company.

3. Within ninety days after the date of this order, Metropolitan Development, First City, and Water Company shall file reports informing the Commission whether the authorized transfer has been completed.

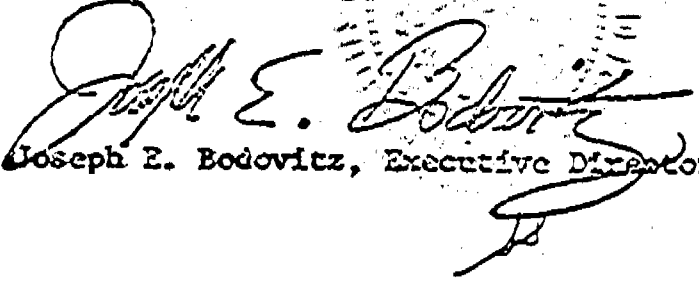
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The effective date of this order is today.

Dated APR 6 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director