

Decision No. 87929 OCT 4 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAGUNA HILLS UTILITY)
 COMPANY and ROSSMOOR CORPORATION for)
 authorization to acquire and control)
 ROSSMOOR WATER COMPANY and ROSSMOOR)
 SANITATION, INC., public utilities.)

Application No. 57548
 (Filed August 31, 1977)

O P I N I O N

In this application, Rossmoor Corporation seeks authority to transfer, and Laguna Hills Utility Company requests authorization to acquire, all of the outstanding common stock of Rossmoor Water Company and Rossmoor Sanitation, Inc. Commission authorization of the proposed acquisition is required by Section No. 854 of the Public Utilities Code.

Rossmoor Water Company is a public utility operating a water system serving approximately 6,500 residential and commercial connections in a portion of Orange County. The company's annual report on file with the Commission shows that as of December 31, 1976, a total of 14,500 shares of \$100 par value common stock were outstanding, all of which is owned by Rossmoor Corporation. The book value of the water utility's common stock amounted to \$2,146,686 at the end of 1976.

Rossmoor Sanitation, Inc. is also a public utility which provides sewer service in a portion of Orange County. As of December 31, 1976, outstanding common stock consisted of 14,000 shares of \$100 par value owned by Rossmoor Corporation. At the end of 1976, the reported book value of the sanitation company's common stock was \$803,224.

Rossmoor Corporation, a developer of residential and commercial properties, has 3,105,250 shares of \$0.25 par value common stock outstanding which is listed on the American Stock Exchange. Each officer and director of Rossmoor Corporation holds the same office and position with Laguna Hills Utility Company, which was

organized as a California corporation on November 2, 1976 for the purpose of acquiring the stock of the water and sanitation utilities.

Pursuant to a reorganization plan, Rossmoor Corporation proposes to transfer all of its common stock holdings in Rossmoor Water Company and Rossmoor Sanitation, Inc. to Laguna Hills Utility Company in exchange for 3,105,250 shares of the latter's common stock without par value. The plan further provides that each person who holds Rossmoor Corporation common stock shall receive through a spin off one share of Laguna Hills Utility Company common stock for each share of Rossmoor Corporation common stock owned.

In connection with the reorganization, Rossmoor Water Company proposes to change its name to Laguna Hills Water Company and Rossmoor Sanitation, Inc. proposes to change its name to Laguna Hills Sanitation, Inc. The applicants allege that a separation of the real estate development and public utilities activities would insulate each of the businesses from risks associated with the other and allow each company to compete for future debt or equity financing on a basis consistent with the industry to which it belongs.

The Utilities Division and the Finance Division of the Commission staff have reviewed the proposed transfers of common stock and consider the request to be reasonable. There is no known opposition to the transfers of common stock as requested herein.

After consideration the Commission finds that control of Rossmoor Water Company and Rossmoor Sanitation, Inc. by Laguna Hills Utility Company through acquisition of all the outstanding common stock of the individual public utility corporations would not be adverse to the public interest.

On the basis of the foregoing finding, we conclude that the application should be granted. A public hearing is not necessary. The action taken herein shall not be construed as a finding of the value of the capital stock of Rossmoor Water Company and Rossmoor Sanitation, Inc.

O R D E R

IT IS ORDERED that:

1. Rossmoor Corporation may transfer, and Laguna Hills Utility Company may acquire, all of the outstanding common stock of Rossmoor Water Company and all of the outstanding common stock of Rossmoor Sanitation, Inc.

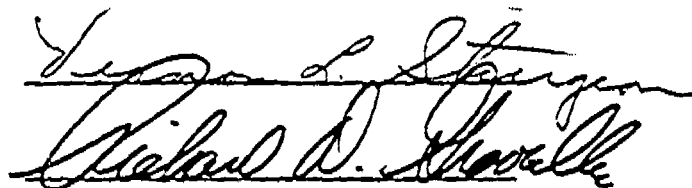
2. Within sixty days after the name of Rossmoor Water Company has been changed to Laguna Hills Water Company and the name of Rossmoor Sanitation, Inc., has been changed to Laguna Hills Sanitation, Inc., each utility shall file with the Commission a certified copy of its Articles of Incorporation as amended for the change in names.

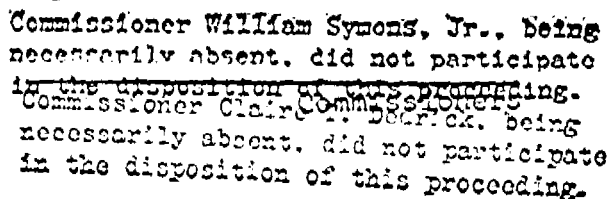
3. Concurrently with the filing of the amended Articles of Incorporation, Laguna Hills Water Company and Laguna Hills Sanitation, Inc., shall file, by advice letter, Notices of Adoption of the effective tariff schedules filed under their previous names.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 4th day of OCTOBER 1977.


President


Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.


Commissioner Clair D. Beck, being necessarily absent, did not participate in the disposition of this proceeding.