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APR 24 1979

Decision No. _____

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PARK WATER COMPANY)
for an order authorizing the)
acquisition of common stock of)
POMONA VALLEY WATER COMPANY.)

Application No. 58579
(Filed January 4, 1979)

O P I N I O N

Park Water Company (Park) requests an order of the Commission (1) authorizing Park to execute and enter into a stock purchase agreement with the stockholders of Pomona Valley Water Company (PVWC), and (2) pursuant to such agreement authorize Park to purchase from the stockholders all of the issued and outstanding common stock of PVWC for cash. Notice of the filing of the application appeared on the Commission's Daily Calendar of January 8, 1979.

This application is made pursuant to Section 852 of the Public Utilities Code.

Park is a public utility which provides water services in the southeastern and northeastern sections of Los Angeles County, the Chino area of San Bernardino County and in the vicinity of the City of Lompoc in Santa Barbara County. Park also is engaged as a public utility in providing sewer service in the vicinity of the City of Lompoc in Santa Barbara County.

The most recent financial statement filed with this Commission shows that Park had total operating revenues of \$3,701,997 and a net loss of \$185,447 for the year ended December 31, 1978. The company's balance sheet on that date is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Total utility plant, less reserves	\$10,459,173
Other investments	1,823,758
Temporary cash investments	9,972,748
Deferred debits	<u>256,368</u>
Total	<u>\$22,512,047</u>
<u>Liabilities and Capital</u>	
Common stock equity	\$14,891,641
Long-term debt	3,762,552
Contributions and advances for construction	3,229,369
Other liabilities	<u>628,485</u>
Total	<u>\$22,512,047</u>

Park recently sold parts of its water system under threat of condemnation. The proceeds of the sale are recorded on its balance sheet as Temporary Cash Investments. This is the source of cash from which the proposed stock purchase is to be made.

PVWC is a Class B water utility regulated by this Commission. PVWC provides water services to the City of Chino, California and a part of the adjoining San Bernardino County area. PVWC has 24,917 shares of its no par value common stock outstanding. PVWC reports total operating revenues and net income of \$467,221 and \$51,223, respectively for the nine-month period ended September 30, 1978.

Park seeks authority to execute a stock purchase agreement in substantially the same form as that attached to the application as Exhibit B. Subject to the terms and conditions of this agreement, Park agrees to pay the shareholders, and the shareholders agree to accept an amount equal to 105% of PVWC's rate base at December 31, 1978 as calculated and adjusted according to the formula set forth in Exhibit A to the Stock Purchase Agreement.

The calculation of the stock purchase price of the stock shall be made by representatives of Park, PVWC and the shareholders, from PVWC's December 31, 1978 financial statements.

The estimated purchase price for the stock is \$1,643,000 calculated according to the formula shown as Exhibit A to the Stock Purchase Agreement, which is attached to the application as Exhibit B. This estimated price is to be adjusted by an amount equal to 105% of

any increase or reduction in PVWC's rate base amount that may be found reasonable in the proceedings involved in A-57766, an application for a rate increase for PVWC, which is currently pending before the Commission.

Park alleges that the acquisition of the PVWC stock is in the public interest for the reason that Park can make available to PVWC financial resources and a degree of managerial skill, continuity of personnel, and general level of experience and ability in the water utility industry which is not otherwise available to PVWC.

The staff of the Commission's Operations and Finance Divisions have no objection to the stock purchase agreement nor the stock acquisition.

After consideration the Commission finds that control of PVWC by Park through acquisition of all the outstanding capital stock of the corporation pursuant to the proposed stock purchase plan would not be adverse to the public interest. There is no known opposition and no reason to delay granting the authority requested. A public hearing is not necessary. On the basis of the foregoing findings, we conclude that the authority requested should be granted. The authorization herein granted shall not be construed as a finding of the value of the assets or capital stock of PVWC.

O R D E R

IT IS ORDERED that:

1. Park Water Company and Pomona Valley Water Company may execute and enter into a stock purchase agreement in substantially the same form as Exhibit B, attached to the application.
2. Park Water Company may acquire all of the outstanding capital stock of Pomona Valley Water Company.
3. Park Water Company may acquire control of Pomona Valley Water Company.

4. Within ninety days after the date hereof, Park Water Company and Pomona Valley Water Company shall file reports informing the Commission whether or not the control authorized has been completed.

5. The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California this 24th day of APRIL, 1979.

John E. Suyo
President
George L. Ferguson
Richard D. Wood
Clare J. Wright
Arnold J. ...
Commissioners