

Decision No. 90217 APR 24 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PARK WATER COMPANY	)	
for an order authorizing the	)	Application No. 58695
acquisition of common and preferred	)	(Filed February 21, 1979)
stock of SANTA PAULA WATER WORKS, LTD.	)	

O P I N I O N

Park Water Company (Park) requests an order from the Commission (1) authorizing Park to execute and enter into a stock purchase agreement with the stockholders of Santa Paula Water Works, Ltd. (SPW), and (2), pursuant to such agreement, to authorize Park to purchase from the stockholders of SPW all the issued and outstanding common and preferred capital stock for cash. Notice of the filing of the application appeared on the Commission's Daily Calendar of February 21, 1979.

The request for authority is made pursuant to Section 852 of the Public Utilities Code.

Park is a public utility which provides water service 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	256,368
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	628,485
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.

Park requests authority to purchase all the outstanding common and preferred capital stock of Santa Paula Water Works, Ltd., for cash. SPW is a Class B water utility regulated by this Commission and furnishes water service to the residents of the City of Santa Paula and a portion of the adjoining Ventura County area. SPW has 4500 shares of its \$100 par value common stock and 7500 shares of its 5% cumulative Class B preferred stock outstanding. SPW reports total operating revenues and net income of \$668,784 and \$36,716, respectively for the twelve-month period ended December 31, 1978.

Park seeks authority to execute a stock purchase agreement in substantially the same form as that attached to the application as Exhibit B. Park has conditioned the purchase of any of SPW shares upon its being able to acquire at the closing of the transactions contemplated, at least 80% of the outstanding shares of each class of SPW's capital stock. Subject to the terms and conditions of this agreement and consistent with the formula furnished to this Commission, Park agrees to pay SPW's shareholders and the shareholders agree to accept a purchase price of \$149.08 per share for all the outstanding common shares and \$101.00 per share for all outstanding preferred shares purchased by it. The estimated purchase price for all the outstanding stock is \$1,428,360.

Park alleges that the acquisition of the SPW stock is in the public interest for the reason that Park can make available to SPW financial resources and a degree of managerial skill, continuity of

personnel, and a general level of experience and ability in the water utility industry which is not otherwise available to SPW.

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 SPW 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 to be a finding of the value of the assets or capital stock of SPW.

O R D E R

IT IS ORDERED that:

1. Park Water Company and Santa Paula Water Works, Ltd., 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 issued and outstanding common and preferred stock of Santa Paula Water Works, Ltd.
3. Park Water Company may acquire control of Santa Paula Water Works, Ltd.
4. Within ninety days after the date hereof, Park Water Company and Santa Paula Water Works, Ltd., 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 27<sup>th</sup> day of APRIL, 1979.

John E. Supra  
President

James L. Stegeman

Charles W. ...

Blair ...

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Commissioners