

Decision 90653

AUG 14 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PARK WATER COMPANY for authority to  
issue evidence of indebtedness (promissory  
note) for the purpose of purchasing  
common stock of MOUNTAIN WATER COMPANY,  
a public utility, providing water service  
in the communities of Missoula and  
Superior, Montana.

Application No. 58856  
(Filed May 9, 1979)

O P I N I O N

Park Water Company (Park) requests authority from the Commission to issue a promissory note in the principal amount of \$3,250,000, for the purposes of acquiring the stock and control of a Montana utility.

Park requests this authority pursuant to Sections 816 through 830 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of May 14, 1979.

Park, a California corporation, is a public utility which provides water service in portions of Los Angeles, San Bernardino, and Santa Barbara counties. Park is also engaged as a public utility in providing sewer service in the vicinity of the city of Lompoc in Santa Barbara County.

Recently Park sold portions of its Southern District service area under threat of condemnation. The proceeds of several such sales are recorded on its Balance Sheet as Temporary Cash Investments. This is the source of cash from which part of the proposed stock purchase is to be made.

A. 58856

Park's audited financial statements furnished to the Commission staff show that Park had total operating revenues of \$3,701,997 and a net loss of \$181,357 for the calendar year ended December 31, 1978. The Balance Sheet as of December 31, 1978 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Total utility plant, less reserves	\$ 11,009,416
Other investments	10,253,994
Current and accrued assets	1,181,911
Deferred debits	730,894
Total	<u>\$ 23,176,215</u>
 <u>Liabilities and Capital</u>	
Common stock equity	\$ 14,950,284
Long-term debt	3,455,274
Current and accrued liabilities	1,068,136
Contributions, advances and other deferred credits	3,702,521
Total	<u>\$ 23,176,215</u>

Park proposes to use the proceeds of the promissory note together with additional cash of approximately \$4,500,000 (a total of \$7,750,000) to purchase all of the issued and outstanding capital stock of Mountain Water Company (Mountain Water) from Montana Power Company (Montana Power). Mountain Water has issued and outstanding 50,000 shares of no par value common stock.

The proposed promissory note for \$3,250,000 will be issued to Montana Power. It will bear interest at annual rates which vary over the twenty-year term of the note from 8 to 10 percent. The note will be payable in annual principal payments

A. 58856

of \$105,000 to \$210,000 per year. In accordance with the conditions of the Pledge Agreement, attached to the application as Exhibit C, the note will be secured by a pledge of the stock.

Park proposes to enter into a stock purchase agreement in substantially the same form as that attached to the application as Exhibit B. Under the terms and conditions of the agreement the estimated purchase price of the stock (\$7,750,000) is equal to 104.5 percent of Mountain Water's rate base at December 31, 1978, as calculated and adjusted according to the formula set forth as Exhibit A to the Stock Purchase Agreement.

Mountain Water is a public utility water company serving the communities of Missoula and Superior, Montana. The company is a wholly owned subsidiary of Montana Power, which is also a public utility providing gas and electric service throughout the State of Montana.

Mountain Water's financial statements, which were provided to the staff by Park, indicate that for the year 1978, the company had operating revenues of \$1,085,821 and net losses of \$120,434.

The Staff of the Commission's Revenue Requirements Division has no objection to the stock purchase agreement or the stock acquisition and control of Mountain Water by Park.

Findings of Fact

1. Park is a California corporation and a water utility subject to the jurisdiction of this Commission.
2. The proposed note is for proper purposes.
3. The money, property or labor to be procured or paid for by the note authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

A. 58856

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

Conclusions of Law

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

2. A public hearing is not necessary.

The authorization granted herein is for the purpose of this proceeding only and is not to be construed as a finding of the value of the assets or capital stock of Mountain Water or Park nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

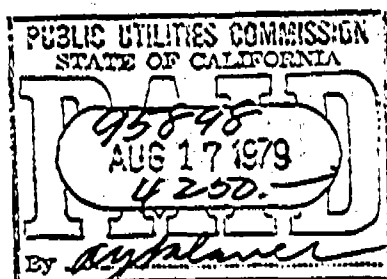
1. Park Water Company may issue a promissory note in the principal amount of not exceeding \$3,250,000 for the purpose specified in the application.

2. Park Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Park Water Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$4,250.

Dated AUG 14 1979, at San Francisco, California.

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



*[Signature]*  
President  
*[Signature]*  
*[Signature]*  
Commissioners