

ORIGINAL

Decision No. 91236 JAN 15 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of LAGUNA HILLS WATER COMPANY,  
for Authority to Issue 4,500  
Shares of its Common Stock.

Application No. 58861  
(Filed May 14, 1979)

INTERIM OPINION AND ORDER

This application was filed pursuant to Finding 5 in D.90006 dated February 27, 1979 in A.58440, et al., that Laguna Hills Water Company (LHWC) should issue common stock to acquire the main extension contracts held by its parent, Laguna Hills Utility Company (LHUC). Notice of the filing of the application appeared in the Commission's Daily Calendar dated May 15, 1979. No protests were filed with the Commission.

A revised memorandum dated December 13, 1979 was prepared on this matter by the Commission staff and placed in the formal file; it is hereby received in evidence as Exhibit No. 1. Its contents are as follows:

"In Application No. 58861, Laguna Hills Water Company requests Commission authority to issue 4,500 shares of its common stock, with a par value of \$100 per share, for the following purposes:

- "1. To acquire and terminate 21 main extension contracts held by its parent company, Laguna Hills Utility Company. These main extension contracts had an unpaid principal balance of \$903,056 at March 31, 1979. Laguna Hills Water Company proposes to issue 3,540 shares of common stock having a total par value of \$353,308 in exchange for these contracts;

- "2. To issue 850 shares of common stock (par value \$100.00 per share) to its parent company to pay unpaid refunds of \$82,860;
- "3. To issue common stock to its parent company to pay other obligations totaling \$10,991.

"In a prior proceeding, Application No. 58840, the staff accountant recommended, in Staff Exhibit 7-A, that Laguna Hills Water Company issue common stock to retire main extension contracts owned by the parent company. The staff recommendation was adopted in the Findings in Decision 90006, dated February 27, 1979.

"The staff accountants approve in principle Laguna Hills Water Company's request. However, the amount of stock that should be issued in exchange for the main extension contracts is in dispute because of differences between Laguna Hills Water Company and the staff accountants as to the proper interpretation of the termination provisions of Laguna Hills Water Company's main extension rule. Laguna Hills Water Company believes that the termination value of the main extension contracts is \$353,308, while the staff accountants believe that the termination value of the main extension contracts is \$250,188. There is no dispute over the unpaid refunds or the other obligations.

"It would be appropriate in this proceeding for the Commission to issue an interim order authorizing Laguna Hills Water Company to issue immediately stock for the amounts not in dispute. The amount in dispute, i.e., the \$103,120, arising out of differences in interpretation of the main extension agreement termination provisions, should be resolved through a formal public hearing.

"In light of the pending rate base determination in Application Number 58440, et al, which is dependent in part on this stock issuance, the staff accountants have no objection to an interim order authorizing the issuance of 3,440 shares of common stock (par value \$100.00 per share) for the purposes outlined above."

Upon careful consideration of this application in conjunction with Finding 5 in D.90006 and the staff memorandum, we have determined there is an adequate basis for authorizing by interim order the issuance of 3,440 shares of the proposed 4,500 shares. We have similarly determined that a public hearing should be held to develop an adequate record upon which to decide whether authority should be granted to issue the remaining 1,060 shares of the proposed stock issue.

#### Findings of Fact

1. For purposes of this interim decision only, the termination value of the 21 main extension contracts held by LHUC should be fixed at \$250,188.
2. A public hearing should be held to test the validity of the higher value claimed by LHWC.
3. A common stock issue of the 3,440 shares herein authorized is for proper purposes and the money, property, or labor to be procured or paid for by the issue of the common stock authorized by this decision is reasonably required for the purposes specified, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

#### Conclusions of Law

1. LHWC should be authorized to issue 3,440 shares of its \$100 par value common stock to LHUC in exchange for the property and debt forgiveness specified in the application.
2. The determination whether LHUC should be authorized to issue the additional 1,060 shares of common stock should await the further hearings before this Commission.

In issuing this decision we place the issuer of the authorized stock and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Therefore, IT IS ORDERED that:

1. Laguna Hills Water Company, on or after the effective date hereof and on or before March 31, 1980, may issue 3,440 shares of its \$100 par value common stock to Laguna Hills Utility Company in exchange for the property and debt forgiveness specified in the application.

2. Laguna Hills Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B.

3. This order shall become effective when Laguna Hills Water Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$688.

Dated JAN 15 1980, at San Francisco, California.

*John E. Bryan*  
President  
*James J. Stinson*  
*Richard D. Koval*  
*Clare J. Johnson*  
*James W. ...*  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
97909  
JAN 21 1980  
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BY *[Signature]*