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Decision No. 92806 MAR 17 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of United Resources, Inc., a Nevada corporation, and Utility Investment Company, a Nevada corporation, for an order authorizing them to acquire control of San Gabriel Valley Water Company from Utility Investment Company, a California corporation.

Application No. 60242
(Filed February 5, 1981)

O P I N I O N

In this application United Resources, Inc., a Nevada corporation (URI), the owner of all of the outstanding capital stock of Utility Investment Company, a Nevada corporation (UIC-Nevada), and UIC-Nevada request authority to acquire and control San Gabriel Valley Water Company (San Gabriel) by acquisition by UIC-Nevada of all of the outstanding common stock of San Gabriel through merger of Utility Investment Company, a California corporation (UIC-California), with and into UIC-Nevada. This transfer of control is requested pursuant to Sections ⁸⁵⁴ _{851 and} of the Public Utilities Code. ll

Notice of the filing of the application appeared on the Commission's Daily Calendar of February 2, 1981. No protests have been received.

San Gabriel is a public utility operating a water system serving approximately 63,000 customers located in Los Angeles and San Bernardino Counties.

URI is a Nevada corporation which has been formed for the purpose, among others, of holding all of the outstanding capital stock of UIC-Nevada.

UIC-Nevada is a Nevada corporation and was formed for the purpose, among others, of holding all of the outstanding common stock of San Gabriel.

- The application indicates that UIC-California is the record holder of 100 percent of the presently outstanding 240,000 shares of the common stock of San Gabriel which stock was acquired by it in 1978 in accordance with a Plan of Reorganization approved by the Commission in Decision No. 88947, dated June 13, 1978 in Application No. 57859.

The application states that it is desirable to reincorporate UIC-California in the State of Nevada as UIC-Nevada, a wholly owned subsidiary of URI, which as a Nevada corporation would be in a position to effectively pursue real estate investment, and commercial and office building development opportunities in that state, as well as in others, while San Gabriel, the California public utility water company, would remain a California corporation.

Counsel for the applicants informed the Commission staff, by letter dated February 18, 1981, that the primary purpose of the reincorporation and the restructuring of the corporate group is the separation of the public utility business from the real estate development business and the insulation of each of these businesses from the problems and risks associated with each other. This separation is particularly significant in light of the financial requirements of each business. While both the public utility business and the real estate development business tend to be "capital intensive", clearly the real estate development business tends to be more speculative and perhaps more uncertain than that of a public utility water purveyor. This difference influences not only the cost of capital, but also the form in which it is raised. The separation will, therefore, allow each to pursue its respective objectives, including the ability to arrange future debt or equity financing on a basis consistent with the industry within which it operates.

Counsel's letter of February 18, 1981 further stated that the decision to reincorporate Utility Investment Company in the State of Nevada was made after it was determined the corporate laws of the State of Nevada provided the most flexibility with respect to the management and affairs of the company.

According to the application, the reincorporation would be accomplished through a statutory merger of UIC-California with and into UIC-Nevada, by the following procedure:

1. The shareholders of UIC-California will be asked to approve a statutory merger with UIC-Nevada as set forth in the Agreement of Merger. A copy of the agreement is attached to the application and is marked as Exhibit I.
2. Subject to such approval and on the effective date of the merger, all outstanding shares of UIC-California common stock will be converted into an identical number of shares of URI common stock.
3. The assets of UIC-California, including the common stock of San Gabriel, will thereupon vest in UIC-Nevada.

The application further states that upon the completion of the reincorporation, each former shareholder of UIC-California will hold the same proportionate stock ownership of URI as such shareholder formerly held in UIC-California. While the record ownership of the common stock of San Gabriel will have been transferred from UIC-California to UIC-Nevada, the beneficial ownership and control will continue to remain with those who are presently shareholders of UIC-California. The consummation of the contemplated transaction will not result in any change in the management or operations of San Gabriel.

The staffs of the Revenue Requirements Division and the Utilities Division reviewed the proposal set forth in the application and consider the request to be reasonable. There is no known opposition and no reason to delay granting the authority requested.

Because of the time schedule for the proposed transfer of control, applicants have requested that the Commission's order be effective on the date of signature.

Findings of Fact

1. San Gabriel is a California corporation operating as a public water utility subject to the jurisdiction of this Commission.

2. The control of San Gabriel by URI and UIC-Nevada by acquisition by UIC-Nevada of all the outstanding common stock of San Gabriel, through merger of UIC-California with UIC-Nevada, would not be adverse to the public interest.

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

Conclusions of Law

1. A public hearing is not necessary.

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

3. The following order should be effective on the date of signature so applicants can meet their schedule for this transaction.

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 San Gabriel.

O R D E R

IT IS ORDERED that:

1. United Resources, Inc., a Nevada corporation, and Utility Investment Company, a Nevada corporation, may acquire and control San Gabriel Valley Water Company.

2. Within ninety days after the date of this decision United Resources, Inc., a Nevada corporation, Utility Investment Company, a Nevada corporation, and San Gabriel Valley Water Company shall issue reports informing the Commission whether or not the control authorized has been completed.

The effective date of this order is the date hereof.

Dated MAR 17 1981, at San Francisco, California.

Jol E. Guyon
President
Richard D. ...
...
Victor ...

Commissioners