

ORIGINAL

Decision 93675 NOV 3 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 (1) RESERVE OIL AND GAS COMPANY, a )  
 California corporation, for authority )  
 to sell all of the outstanding shares )  
 of the capital stock of APPLE VALLEY )  
 RANCHOS WATER COMPANY, a California )  
 corporation, for authority to buy )  
 such stock. )

Application 60644  
(Filed June 11, 1981)

O P I N I O N

Summary of Application

Getty Oil Company (Getty),<sup>1/</sup> a Delaware corporation, seeks authority to buy all 75 shares of the outstanding capital stock of Apple Valley Ranchos Water Company (AV) from the only shareholder of AV, Reserve Oil and Gas Company (ROG), which was a California corporation. On January 23, 1980 Getty acquired all of the assets of ROG by merger. The attorney who formerly represented ROG executed the application on behalf of ROG.

Getty paid ROG shareholders approximately \$628 million for ROG's assets consisting principally of oil and gas exploration and production properties, a refinery, and other marketing assets, including all of AV's stock.

---

1/ Line 6 of the caption omits the language: "and (2) Getty Oil Company, a Delaware corporation,".

AV is a public utility serving approximately 5,400 customers in the community of Apple Valley in San Bernardino County. AV's 1980 annual report shows a restated net utility plant of \$3,546,332, total assets of \$3,939,909, a restated corporate capital and surplus of \$1,938,469, operating losses of \$240,727, and total losses of \$250,596. Getty's annual report to stockholders shows total assets on a consolidated basis as of December 31, 1980 of approximately \$8,226,676,000, common shareholder's equity of approximately \$4,143,912,000, and a net income of \$871,866,000.

Getty's Authority to Conduct Intrastate Business

Getty's principal place of business is in California. In Exhibit 1, a letter dated September 11, 1981, Getty transmitted a Certificate of Good Standing, Foreign Corporation, from the Secretary of State of California dated September 4, 1981, qualifying Getty<sup>2/</sup> to conduct intrastate business in California, subject "to any licensing requirements otherwise imposed by the laws of this State". That certificate is a prerequisite for Getty, a foreign corporation, to secure authorization to transact public utility business within California (see Public Utilities (PU) Code Section 704).

---

<sup>2/</sup> On September 1, 1936 Pacific Western Oil Corporation, Getty's predecessor, was qualified to transact intrastate business in California.

Discussion

ROG formerly exercised control over AV through its wholly owned development subsidiary, Apple Valley Ranchos (Ranchos), a corporation. Getty represents that the management and staff operating AV's system have remained unchanged. Getty acquired Ranchos in the ROG merger. The net worth of AV's facilities was a minor portion of ROG's assets at the time of the merger. Getty represents that the AV acquisition was not specifically mentioned in the merger agreement. Getty did not secure authority from the Commission to acquire or control AV either directly or indirectly. Therefore, that acquisition prior to the merger or control is void (see PU Code Section 854).

Prior to the merger AV filed Application (A.) 58520 for an order authorizing an increase in its rates and further requested interim rates to cut its out-of-pocket losses. Decision (D.) 90435 dated June 19, 1979 authorized an interim increase in AV's rates. The ROG-Getty merger occurred during the processing of AV's amendment to A.58520 in which AV seeks a further rate increase. AV was advised that Commission authorization was needed to transfer control of AV to Getty. Subsequently, this application was filed.

Two of the findings of fact in D.90435 are as follows:

- "1. AV's parent ROG and/or its affiliate Ranchos has subsidized AV's operations as an adjunct to its major developmental and sales activities in AV's service area.

\* \* \*

- "12. It would be reasonable to require AV to take the following actions, which may require another amendment to its application and preparation of exhibits prior to setting further hearings on AV's request for further rate relief:

- "(a) Prepare an exhibit on AV's agreements to serve areas to be developed in the future by Ranchos and/or ROG which identifies the areas to be served, the facilities required to serve, and the costs of the facilities needed to serve these areas, the obligations and/or commitments of Ranchos and/or ROG to complete the necessary facilities, and the appropriate ratemaking treatment for past and future extensions made on this basis.
- "(b) Prepare a proposal to clarify the ownership, dedication to public use, and operational status of the wells used by AV.
- "(c) Resolve discrepancies between customer and water use data and projected revenues.
- "(d) Record rate base items pursuant to the Uniform System of Accounts for Water Utilities.
- "(e) Classify revenues by separate subdivisions in accordance with the Uniform System of Accounts for Water Utilities.
- "(f) Present a financing proposal(s) for AV.
- "(g) Implement the staff accounting recommendations set forth in paragraph 24 of Exhibit 5."

As a prerequisite to securing further rate relief in A.58520, AV filed information called for in Finding 12. The Commission staff objects to major elements of AV's proposal. The resolution of these disputes will be made in a later decision in A.58520. Getty is put on notice that the Commission may not adopt (1) its ratemaking and book adjustments in A.58520, or (2) its proposal to make AV responsible for meeting prior commitments of ROG or Ranchos to complete construction of water systems in certain areas, or (3) its financing proposals.

Further Potential Transfer of AV

Getty entered into an escrow for the sale of its Apple Valley Ranch Division, which includes AV, to R&R Western Estates, Limited (R&R), a Canadian corporation. Absent Commission authorization, the sale of AV's stock to R&R would be void. Getty had not filed an application to sell its AV stock to R&R as of September 17, 1981.

Notice

Notice of the filing of the application appeared on the Commission's Daily Calendar of June 15, 1981. No protests have been received.

Findings of Fact

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

2. Getty, a foreign corporation, possesses a Certificate of Good Standing from the Secretary of State of California, qualifying it to conduct intrastate business in California.

3. The control of AV by Getty would not be adverse to the public interest.

4. 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. Since Getty holds a Certificate of Good Standing to conduct intrastate business in California, Getty may be authorized to conduct public utility operations in California.

3. The following order should be effective on the date of signature to permit Getty to lawfully control the operations of AV.

The authorization granted 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 AV.

ORDER

IT IS ORDERED that Getty Oil Company, a Delaware corporation, is authorized to control Apple Valley Ranchos Water Company.

This order is effective today.

Dated NOV 3 1981, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. CRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

*I certify that this decision was approved by the above Commissioners today.*

*John E. Bryson*