

Decision No. 52257**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WILLIAM H. KLAHN,)
 doing business as KERNVILLE DOMESTIC)
 WATER COMPANY, for authority to con-)
 tract for development of facilities)
 and to compromise indebtedness.)

Application No. 36962
 Amended

Woodruff and Williams, attorneys, by
Robert L. Williams, for applicants.
John F. Donovan, for the Commission staff.

OPINION AND ORDER

The original application in the above-entitled proceeding was filed May 13, 1955 by William H. Klahn (Kernville Domestic Water Company) and basically sought authorization to extend an existing water system into an adjoining real-estate tract under contracts based upon, but deviating from, applicant's filed main extension rule. Public hearing in the matter was held before Examiner F. Everett Emerson on June 23, 1955 at Bakersfield. At the hearing, applicant Klahn testified and introduced exhibits respecting his system, his proposed extension and his anticipated arrangements for the financing of additions to plant. However, at applicant's request submission of the matter was held in abeyance for a period of fifteen days in order to allow further study, by applicant, of the problems of financing the over-all operations. Within the specified time, applicant requested that the matter not be considered submitted until an amended pleading might be filed. Such amended application was filed on September 15, 1955 and has had the consideration of the Commission. We are of the opinion that further hearing in the matter is not necessary and, therefore, we shall accept submission of the entire matter as of September 15, 1955.

By the amended application it appears that William H. Klahn has caused the formation of Kernville Domestic Water Company as a California corporation. Klahn seeks authority to sell and transfer, and the corporation seeks to acquire, the water system and other assets of Klahn at the book value of the business. The corporation proposes to issue 750 shares of \$10 par value stock to Klahn as the full consideration for the transfer. The liability of Klahn, represented by the long-term debt of Klahn to A. J. Patterson, for the original system would be assumed by the corporation. In addition to the purchase of the existing business, the corporation seeks authority to issue 2,500 shares of \$10 par value stock to Kernville Development Company in exchange for certain water distribution facilities installed by the development company in real-estate subdivisions adjoining the original service area supplied by Klahn.

Klahn assumed control of the water system on December 1, 1954. As of that date the system provided water service in Tract 1513 and Tract 1563 in the area known as New Kernville. Although served by Klahn, ownership of the water facilities in Tract 1563 remains with Kernville Development Company which installed the system. The development company now has under real-estate development a new tract, designated Tract 1770, contiguous to Tract 1563 and has installed a water distribution system therein. It offers to sell the systems in Tracts 1563 and 1770 to Kernville Domestic Water Company for the sum of \$25,306.90, which sum represents the original costs of the systems together with real property used for well sites and tank sites. The original costs of the physical water systems are stated to be \$15,718.75 for the facilities in Tract 1563 and \$9,588.15 for the facilities in Tract 1770.

Tract 1513 has about 87 water service connections and Tract 1563 has about 34 service connections in place. Tract 1770 contains 46 residential lots and the water system in such tract consists of approximately 2,900 feet of 4-inch and 836 feet of 3-inch transite pipe.

The evidence indicates that the total system (Tracts 1513, 1563 and 1770) is adequate to meet the present demands of the water users and the prospective growth in water usage in the near future. Three wells supply the system and one 20,000-gallon steel tank provides system storage.

In view of the evidence we find that the proposed transfer will not be adverse to the public interest and the transfer will be authorized. The action taken herein, however, shall not be construed to be a finding of the value of the property herein authorized to be transferred. With respect to the request for authority to issue stock, we find that authorization for not to exceed 3,250 shares of \$10 par value stock is warranted by the record in this proceeding, 750 shares thereof for the purpose of acquisition of Klahn's system by the water corporation and 2,500 shares thereof for the purpose of acquisition of the water utility facilities in Tract 1563 and Tract 1770.

Based on the evidence and the foregoing findings respecting the matter and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock authorized herein is reasonably required by Kernville Domestic Water Company for the purposes hereinabove specified, and that such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:

1. William H. Klahn may, on or after the effective date hereof, and on or before March 31, 1956, sell and transfer the

hereinabove described public utility property to Kernville Domestic Water Company, a corporation, pursuant to the agreements of sale and purchase embodied in the amended application herein.

2. On or before the date of actual transfer, William H. Klahn shall refund all deposits which customers are entitled to have refunded; and any unrefunded deposits and advances in aid of construction shall be transferred to and become the obligation of Kernville Domestic Water Company.

3. Kernville Domestic Water Company shall file with this Commission, within thirty days after the date of the sale authorized herein, a certified copy of each instrument of sale, deed, transfer or conveyance as actually consummated, together with a written statement setting forth the date upon which control and possession of said William H. Klahn's water system was assumed.

4. The rates and rules of William H. Klahn, now on file with this Commission, shall be refiled within thirty days from date of transfer by Kernville Domestic Water Company, in accordance with the procedure prescribed by General Order No. 96, or in lieu of such refiling, said corporation may file a notice of adoption of said presently filed rates and rules. No increases in the presently filed rates and rules shall be made unless otherwise authorized by this Commission.

5. If the authority herein granted is exercised, Kernville Domestic Water Company shall, within forty days from the date of actual transfer, amend its presently filed tariff schedules, including the tariff service area map, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules for water service in the area herein authorized to be transferred and purchased.

6. On or before the date of actual transfer of the physical properties herein authorized to be transferred, William H. Klahn

shall transfer and deliver to Kernville Domestic Water Company and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties of the public utility water system of said William H. Klahn.

7. Upon due compliance with all the conditions of this order, said William H. Klahn shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system herein authorized to be transferred and purchased.

8. Kernville Domestic Water Company, after the date hereof and on or before March 31, 1956, may issue not to exceed 3,250 shares of \$10 par value stock to the parties and for the purposes hereinabove set forth.

9. Kernville Domestic Water Company shall file with this Commission monthly reports as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

10. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 22 day of November, 1955.

[Signature]
 President

[Signature]

[Signature]

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 Commissioners