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Decision No. 52719

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 A. RONALD BUTTON, and GLADYS M. BUTTON,)
 dba Rancho Mirage Water Company (a)
 fictitious firm name), and RANCHO)
 MIRAGE WATER COMPANY, a California)
 corporation, for the sale and transfer)
 of a public utility water system to)
 said corporation, and its issuance of)
 stock in exchange therefor.)

Application No. 37637

O P I N I O N

By Decision No. 43277, dated August 29, 1949, in Application No. 30132, Rancho Mirage Annex No. 2, a California corporation, received from this Commission a certificate of public convenience and necessity to construct and operate a public utility system for the distribution and sale of water within an area including approximately 300 acres of desert land located about ten miles southeast of the City of Palm Springs, Riverside County, California, and abutting on California State Highway 111, and within an additional area containing between 150 and 200 acres lying southerly and westerly of the State highway and contiguous to the 300-acre area.

The above described authority was subsequently acquired by A. Ronald Button and Gladys M. Button, doing business as Rancho Mirage Water Company,^{1/} hereinafter referred to as sellers.

^{1/} Decision No. 45117, dated December 12, 1950, in Application No. 31888; Decision No. 45177, dated December 19, 1950, in Application No. 31888; Decision No. 45857, dated June 26, 1951, in Application No. 31888; Decision No. 46512, dated December 11, 1951, in Application No. 32868.

By Decision No. 50857, dated December 14, 1954, in Application No. 35502, the sellers were authorized to increase their rates to the present level.

By the application herein, filed on December 30, 1955, as amended by an amendment filed on January 27, 1956, the sellers and Rancho Mirage Water Company, a California corporation, hereinafter referred to as the buyer, of which the seller A. Ronald Button is the president and vice president and the seller Gladys M. Button is the secretary and treasurer (see Exhibit E in the application), seek an order from this Commission as follows:

1. Authorizing the sellers to sell, transfer and convey their water system to the buyer.
2. Authorizing the buyer to purchase and acquire said system and to issue and sell to A. Ronald Button in exchange therefor not to exceed 634 shares of the buyer's capital stock at the par value of \$100 per share, any excess of the net worth of the system over the aggregate par value of said shares to be credited to paid in surplus.
3. Granting to the buyer a certificate of public convenience and necessity to operate the said system for the distribution and sale of water.
4. Authorizing the buyer to issue 12 shares of its capital stock of the par value of \$100 per share to A. Ronald Button in payment for expenses incurred in incorporation and in connection with this application, including attorney's fees, any excess of said expenses over the \$1,200 aggregate par value of said shares to be credited to paid in surplus.
5. Finding that, in the opinion of this Commission, the property and labor to be procured and paid for by the issuance of stock as requested in the application are reasonably required for the operation of the buyer and are not, in whole or in part, reasonably chargeable to operating expenses or to income..

The buyer proposes to adopt and continue the present rates, rules and regulations of the sellers on file with this Commission. Any unrefunded deposits held by the sellers are to be transferred to and become an obligation for refund by the buyer.

The seller's financial reports on file with this Commission for the three calendar years of 1952, 1953 and 1954 reflect the following:

<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Income</u>
1952	\$ 8,738.48	\$14,952.35	\$ <u>(6,213.87)</u>
1953	11,303.92	18,034.31	<u>(6,730.39)</u>
1954	13,685.71	16,726.77	<u>(3,041.06)</u>

(Red Figure)

From the application (Exhibit F) it appears that for the first seven months of 1955 the sellers had operating revenues of \$11,458.81, expenses of \$8,603.02, and a net income of \$2,855.79.

It is alleged in the application that the sellers' water system is completely installed and includes three wells with a total capacity of 1,880 gallons per minute and an 83,000-gallon storage tank located 175 feet above the well level; that the system is metered; that it has approximately 290 consumers; and that installed pipe lines are available to approximately 646 lots.

It appears that the buyer will acquire the personal property in the water system (Exhibit A in the application), the real property used in the system (Exhibit B in the application), and the certificate of public convenience and necessity pursuant to which the sellers operate the system in exchange for the issuance to seller A. Ronald Button of 634 fully paid shares of stock of the buyer of the par value of \$100 per share and the assumption by the buyer of all of the liabilities and indebtedness

of the business existing at the time of the transfer; provided that any amount by which the net assets transferred to the buyer exceeds the aggregate par value of the stock so issued shall be credited to paid in surplus of the buyer.

A statement of the assets to be acquired by the buyer and the liabilities to be assumed by it, as of July 31, 1955, is as follows:^{2/}

<u>ASSETS</u>			
<u>Current Assets</u>			
Cash		\$ 1,027.67	
Accounts Receivable			
Water Customers	\$ 2,369.94		
Other	230.85	2,600.79	
Materials and Supplies		1,870.67	\$ 5,499.13
<u>Fixed Capital</u>			
Organization Expense		250.00	
Land		1,300.00	
Building and Structures	2,452.80		
Wells	11,569.92		
Pumping Equipment	14,316.22		
Reservoirs and Tanks	3,729.42		
Distribution Mains	62,278.25		
Services	3,180.54		
Meters	4,613.30		
Fire Hydrants	1,007.49		
Misc. Dist. Equipment	162.42		
General Office Equipment	1,717.46		
Auto Truck	1,922.60		
Other General Equipment	104.83		
	<u>107,055.25</u>		
Less Accrued Depreciation	<u>19,744.84</u>	<u>87,310.41</u>	<u>88,860.41</u>
			<u>94,359.54</u>
<u>LIABILITIES AND CAPITAL</u>			
<u>Current Liabilities</u>			
Accounts Payable - A. R. Button		112.40	
Payroll Taxes Payable		<u>39.80</u>	152.20
<u>Long Term Liabilities</u>			
Loans Payable - A. R. Button		<u>29,164.71</u>	29,164.71
<u>Contingent Liabilities</u>			
Consumers' Advances for Construction (Ketchersid)		<u>1,590.06</u>	1,590.06
<u>Capital</u>			
Investment Beginning of Year		60,596.78	
Net Profit from Income Account		<u>2,855.79</u>	<u>63,452.57</u>
			94,359.54

^{2/} Exhibit F on the application.

It appears from the application, as amended, that A. Ronald Button, as president of the buyer, has advanced the expenses of incorporation of the buyer and the fees of the buyer's attorney in the total amount of \$1,200 (Exhibit I on the amendment to the application). He asks that he be reimbursed for these expenditures by the issuance to him of 12 shares of the buyer's capital stock of the par value of \$100 per share. Such reimbursement has been authorized by the buyer (pages 6 and 7 of Exhibit E on the application).

The Commission has considered the application and is of the opinion that the transfer of operative rights and properties, as proposed in the application herein, will not be adverse to the public interest, that the money, property or labor to be procured or paid for by the issue of 646 shares of stock is reasonably required by the buyer for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. The application will be granted. A public hearing is not necessary. The buyer shall credit any excess in the net worth of the system acquired over the par value of 634 fully paid shares of its stock given in exchange therefor, and any excess in the amount of the fees of its attorney and its expenses of incorporation paid by A. Ronald Button over the par value of 12 fully paid shares of its stocks, to paid in surplus.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

O R D E R

The Commission having fully considered the above-entitled matter and having made the foregoing findings and based upon said findings,

IT IS HEREBY ORDERED as follows:

(1) A. Ronald Button and Gladys M. Button, after the effective day hereof and on or before May 1, 1956, may transfer to Rancho Mirage Water Company, a California corporation, the certificate of public convenience and necessity acquired by A. Ronald Button and Gladys M. Button by Decision No. 46512, dated December 11, 1951, in Application No. 32868, together with the properties and assets referred to in the application herein, and Rancho Mirage Water Company, a California corporation, may acquire said certificate, properties and assets, and assume the payment of the outstanding indebtedness of A. Ronald Button and Gladys M. Button as indicated in the preceding opinion, and may issue 634 shares of its capital stock at \$100 per share to A. Ronald Button in exchange for said certificate of public convenience and necessity, properties and assets.

(2) Rancho Mirage Water Company, a California corporation, may issue 12 shares of its capital stock at \$100 per share to A. Ronald Button as reimbursement for the expenses of the application herein and the fees of the corporation's attorney.

(3) The rates, rules and regulations of A. Ronald Button and Gladys M. Button, doing business as Rancho Mirage Water Company, now on file with the Commission, shall be refiled within thirty days after the date of transfer of the certificate of public convenience and necessity herein referred to under the name of Rancho Mirage Water Company, a California corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of

such refiling, Rancho Mirage Water Company, a California corporation, may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the presently filed rates and rules shall be made unless authorized by the Commission.

(4) On or before the date of actual transfer A. Ronald Button and Gladys M. Button shall refund all customers' deposits and customers' advances for construction which customers are entitled to have refunded. Any such unrefunded deposits and advances shall be transferred to and become the obligation for refund of Rancho Mirage Water Company, a California corporation.

(5) If the authority herein authorized is exercised, A. Ronald Button and Gladys M. Button shall, within thirty days thereafter, file a certified copy of the grant deed and bill of sale as executed, together with written notification to this Commission of the date of such completion of the property transfer herein authorized, and of their compliance with the conditions hereof.

(6) On or before the date of actual transfer, A. Ronald Button and Gladys M. Button shall deliver and transfer to Rancho Mirage Water Company, a California corporation, and the latter shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties to be transferred.

(7) Upon due compliance with all the conditions of this order, said A. Ronald Button and Gladys M. Button 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.

(8) Rancho Mirage Water Company, a California corporation; shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 6th day of March, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners