

ORIGINAL

Decision No. 58154

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WINTON HALL, INC.,  
for Authority to Sell its Water  
System to Winton Water Company,  
Inc., under Sections 851-853 of  
the Public Utilities Code.

Application of A. E. Heppner,  
doing business as "Myrtle Acres  
Water Service," for Authority  
to Sell his Water System to  
Winton Water Company, Inc.,  
under Sections 851-853 of the  
Public Utilities Code.

Application of WINTON WATER  
COMPANY, INC., for Authority  
to Issue Stock under Sections  
816-830 of the Public  
Utilities Code.

Application No. 40759

O P I N I O N

In this application, Winton Water Company, Inc., a California corporation, seeks authorization to issue 178 $\frac{1}{2}$  shares of common stock, of the par value of \$100 each and of the aggregate par value of \$17,825, in payment for the water systems of Winton Hall, Inc., a corporation, and of A. E. Heppner, doing business as Myrtle Acres Water Service.

Winton Hall, Inc., and A. E. Heppner have joined in the application and seek authorization to sell their water systems.

Applicants Winton Hall, Inc., and A. E. Heppner presently are engaged in operating public utility water systems in the unincorporated community of Winton, Merced County. The two

systems are controlled and operated by A. E. Heppner and the physical properties are interconnected. In financial statements filed with the application, the two applicants report the following:

	<u>Winton Hall, Inc.</u>	<u>A. E. Heppner</u>	<u>Total</u>
<u>Income statement - Jan. to June, 1958</u>			
Operating revenues	\$1,792	\$2,987	\$ 4,779
Expenses	<u>1,063</u>	<u>1,947</u>	<u>3,010</u>
Net income	<u>\$ 729</u>	<u>\$1,040</u>	<u>\$ 1,769</u>
<u>Assets - June 30, 1958</u>			
Utility plant	\$4,927	\$22,117	\$27,044
Less: reserve	<u>808</u>	<u>1,818</u>	<u>2,626</u>
Net utility plant	4,119	20,299	24,418
Cash in bank	693	139	832
Total assets	<u>\$4,812</u>	<u>\$20,438</u>	<u>\$25,250</u>
<u>Liabilities and Capital - June 30, 1958</u>			
Notes payable	\$ -	\$ 1,652	\$ 1,652
Current liabilities	<u>-</u>	<u>10,823</u>	<u>10,823</u>
Total liabilities	-	12,475	12,475
Proprietary capital	<u>4,812</u>	<u>7,963</u>	<u>12,775</u>
Total liabilities and capital	<u>\$4,812</u>	<u>\$20,438</u>	<u>\$25,250</u>

The purpose of the present application is to place the ownership of the two systems in one corporation. Applicants are of the opinion that by doing so they will be able to simplify accounting procedures, to effect economies and to finance additions more readily. In consummating the transaction, they propose the issue of 20-3/4 shares of stock to Winton Hall, Inc., and 157 1/2 shares to A. E. Heppner.

Applicants report that because of a lack of complete accounting records they have caused an appraisal to be made of both systems which shows, as of June 30, 1958, estimated historical costs of \$35,121 and estimated depreciation reserve requirement of \$5,650.

A review of available records, by a staff accountant, indicates that there had been omitted from the appraisal certain items aggregating \$1,524.10 for legal, engineering and accounting services in setting up the corporation and \$204.50 representing land costs and that there had been erroneously included the sum of \$150 in Account 315 which is chargeable to expense, the three items resulting in a net addition of \$1,578.60 to the appraisal total.

The two present utilities do not have identical rates and rules. A. E. Heppner's flat rate is \$2.50 a month and Winton Hall, Inc., is \$1.00. The rules of Winton Hall, Inc., were established in 1923 and have been unchanged, except for the main extension rule. The rules of A. E. Heppner, filed in 1952, do not reflect practices established by General Order No. 103.

However, there is no showing regarding rates in this application and, in the absence of such showing, uniform rates cannot be established in this decision. The new corporation must continue the present rates in effect on each of the two systems unless and until otherwise authorized.

We are of the opinion that the transfers will not be adverse to the public interest and that an order should be entered granting applicants' requests. The authorization thus granted should not be construed to be a finding of the value of the water systems nor as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates. The authorization to establish records is for accounting convenience only and the appraisal figures are subject to review if they become an issue in any future proceeding and to adjustment if such action is found to be appropriate.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED that:

1. Winton Hall, Inc., a corporation, on and after the effective date hereof and on or before July 31, 1959, may sell and transfer its public utility water system, known as Winton Water Works, to Winton Water Company, Inc., a corporation, in accordance with the terms and conditions set forth in the instrument entitled "Agreement of Sale," included in the application as Exhibit A.
2. A. E. Heppner, on and after the effective date hereof and on or before July 31, 1959, may sell and transfer his public utility water system, known as Myrtle Acres Water Service, to Winton Water Company, Inc., a corporation, in accordance with the terms and conditions set forth in the instrument entitled "Agreement of Sale," included in the application as Exhibit B.
3. Winton Water Company, Inc., in payment for said water systems, may assume the payment of outstanding indebtedness and issue not to exceed \$17,825 par value of common stock.

4. Winton Water Company, Inc., upon acquiring said water systems, may record in its utility plant and depreciation reserve accounts the appraisal figures as of June 30, 1958, filed in this proceeding, modified as indicated in the preceding opinion.

5. Winton Water Company, Inc., within six months after acquiring said water systems shall file with the Commission its proposed journal entries in accordance with the provisions of Account 391 of the uniform system of accounts. The company shall file, in addition, a report, or reports, of the issue of stock as required by General Order No. 24-A.

6. Winton Water Company, Inc., on and after the date of actual transfer, is authorized and directed to charge in the service area acquired from Winton Hall, Inc., the rates presently being charged by Winton Hall, Inc., under the name of Winton Water Works, and to charge in the service area acquired from A. E. Heppner, the rates presently being charged by A. E. Heppner under the name of Myrtle Acres Water Service.

7. Winton Water Company, Inc., if it acquires the hereinabove described properties, within thirty days thereafter, shall file the rates authorized herein, together with an up-to-date set of rules governing relations with its customers and a tariff service area map, all acceptable to the Commission and in accordance with the procedures prescribed in General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public as hereinabove provided.

8. On or before the date of actual transfer, Winton Hall, Inc., and A. E. Heppner shall refund all customers' deposits and all advances for construction, if any, which are subject to refund. Any unrefunded deposits and advances shall be transferred to and become the obligation for refund of Winton Water Company, Inc.

9. If the authority herein granted is exercised, Winton Hall, Inc., and A. E. Heppner, within 30 days thereafter, shall notify the Commission in writing of the date of such completion of the property transfers herein authorized and of their compliance with the conditions hereof.

10. On or before the date of actual transfer of the physical properties herein authorized, Winton Hall, Inc., and A. E. Heppner shall transfer and deliver to Winton Water Company, Inc., and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

11. Upon due compliance with all the conditions of this order, Winton Hall, Inc., and A. E. Heppner shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water systems herein authorized to be transferred.

12. This order shall become effective 20 days after the date hereof.

Dated at San Francisco, California, this 2<sup>nd</sup> day of March, 1959.

C. Lynn Fox  
President  
J. E. [unclear]  
William [unclear]  
Theodore [unclear]  
Robert [unclear]  
Commissioners