

ORIGINAL

Decision No. 61872

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of Paul Strong and Sarah Strong, his wife, doing business as Lucerne Water Company, to sell all its physical assets to Stan Korth and Lucille E. Korth, his wife, and for authority allowing Stan Korth and Lucille E. Korth, his wife, to execute a certain promissory note, deed of trust and chattel mortgage.

Application No. 43167
Filed February 20, 1961

OPINION AND ORDER

This is an application for an order authorizing Paul Strong and Sarah Strong to transfer the Lucerne Water Company to Stan Korth and Lucille E. Korth.

The application shows that Paul Strong and Sarah Strong, doing business under the firm name and style of Lucerne Water Company, are engaged in the public utility water business in the unincorporated area known as the town of Lucerne, in Lake County, that Paul Strong, due to illness, is unable to continue operations, and that he has made arrangements to sell the public utility water system, along with certain nonpublic utility real property, to Stan Korth and Lucille E. Korth for the sum of \$70,000, of which \$5,000 will be paid in cash and \$65,000 will be represented by a note which will be secured by a deed of trust and a mortgage of chattels and

which will be payable in installments of \$5,000 on May 15 and July 15, 1961, and thereafter in monthly installments of \$350 or more, beginning August 15, 1961, with interest at the rate of 6% per annum.

Information filed in this proceeding shows the reported net book value of the water system, equipment and materials and supplies, as of December 31, 1960, at \$33,820 and the value of the nonoperative real estate and improvements, as determined by an inheritance tax appraiser, at \$43,650.

At the outset, the properties, operative and non-operative, will be heavily mortgaged. However, the note will be reduced by \$10,000 within a short time and the sales agreement provides that the buyers may sell any of the real property at its fair market value provided that at least 50% of the sale price be applied against the unpaid balance of the note. Moreover, the recorded results of operations of the water system for the year 1960 indicate that the internally generated funds should be sufficient to provide the installment payments on the note and the financial statements of the purchasers indicate that they have sufficient resources to meet the obligation to be incurred in the acquisition of the water system.

Under the circumstances surrounding this particular transaction, that is, the necessity of the present owners to withdraw and the indicated financial ability of the proposed buyers to undertake the operations, we are of the opinion, and so find and conclude, that the transfer will not be adverse to the public interest; that the application should be granted; that the money, property or labor to be procured or paid for by the issue of the note 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. A public hearing is not necessary.

Therefore, good cause appearing,

IT IS ORDERED -

1. That on or after the effective date hereof and on or before December 31, 1961, Paul Strong and Sarah Strong may sell and transfer, and Stan Korth and Lucille E. Korth may purchase and acquire the water system known as the Lucerne Water Company, under the terms and conditions set forth in this application; that the transfer for accounting purposes may be made as of March 15, 1961.

2. That on or after the effective date hereof and on or before December 31, 1961, Stan Korth and Lucille E. Korth may execute a deed of trust and a mortgage of chattels in, or substantially in, the same form as those filed in this proceeding as Exhibit D and Exhibit E, respectively, and may issue a note in the principal amount of not to exceed \$65,000 in the terms and for the purpose set forth herein.

3. That on or before the date of actual transfer, Paul Strong and Sarah Strong shall refund all customers' deposits and advances for construction, if any, which are subject to refund as of the date of transfer. Any such unrefunded deposits and advances shall become the obligations of Stan Korth and Lucille E. Korth.

4. That the rates and rules of Paul Strong and Sarah Strong, now on file with this Commission, shall be refiled within thirty days from the date of actual transfer under the name of Stan Korth and Lucille E. Korth in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refileing, Stan Korth and Lucille E. Korth 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 properly authorized by the Commission.

5. That on or before the date of actual transfer, Paul Strong and Sarah Strong shall transfer and deliver to Stan Korth and Lucille E. Korth and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the public utility water system herein authorized to be transferred.

6. That the authorization herein granted is for the purpose of this proceeding only and is not intended to be a finding of the value of any of the properties herein authorized to be transferred or an indication of amounts to be included in a future rate base for the determination of just and reasonable rates.

7. That within thirty days after the consummation of the transfer herein authorized Paul Strong and Sarah Strong shall notify the Commission, in writing, of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect said transfer.

8. That upon due compliance with all the conditions of this order, Paul Strong and Sarah Strong 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.

9. That Stan Korth and Lucille E. Korth shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; that they shall review the accruals as of January 1st of the year following the date of purchase and thereafter when major changes in utility plant composition occur and at intervals of not more than five years; and that they shall submit the results of these reviews to the Commission.

10. That the authorization herein granted to execute a deed of trust and a mortgage of chattels and to issue a note shall become effective when Stan Korth and Lucille E. Korth have paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$65, and that in other respects the authority herein granted shall become effective 20 days after the date hereof.

Dated at San Francisco, California, this 25th day of APRIL, 1961.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

