

ORIGINAL

Decision No. 64263

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ELBERT A. REYNOLDS,  
doing business as HUMBOLDT HILL  
WATER COMPANY, to sell, and of  
REYNOLDS WATER CO., INC., a  
corporation, to acquire public  
utility water corporation  
property and certificates of  
public convenience and necessity;  
and of REYNOLDS WATER CO., INC.,  
a corporation, to issue its  
capital stock.

Application No. 44769  
Filed September 6, 1962

O P I N I O N

This is an application for an order of the Commission (1) authorizing Elbert A. Reynolds, doing business as Humboldt Hill Water Company, to transfer his public utility operations and properties to a new corporation named Reynolds Water Co., Inc., and (2) authorizing Reynolds Water Co., Inc., to issue shares of common stock in payment for said properties in an amount equal to the net book value and in payment of outstanding indebtedness.

The properties to be transferred include the water works facilities and certificates of public convenience and necessity, which were granted by Decisions Nos. 48424 and 62707 and which permit operations on Humboldt Hill, approximately two miles south of Eureka. The reported net worth of the enterprise is \$33,680 as of June 30, 1962, according

to Exhibit A. The outstanding liabilities, as shown by the exhibit, include current accounts payable of \$500 and \$28,800 due Anthony Pialorsi, doing business as Arcata Pump and Equipment Company, for equipment, services and installations.

Upon reviewing the application we find that the proposed transfer and stock issue will not be adverse to the public interest, and we will enter an order granting the application. The authorization herein granted is for the purpose of this proceeding only and is not to be construed as a finding of value of the rights and properties to be transferred nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

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

IT IS ORDERED that -

1. Elbert A. Reynolds, doing business as Humboldt Hill Water Company, on or after the date hereof and on or before February 28, 1963, may sell and transfer the operative rights and properties comprising the Humboldt Hill Water Company to Reynolds Water Co., Inc., and Reynolds Water Co., Inc., may acquire said operative rights and properties, subject to the present obligations and limitations of said operative rights.

2. Reynolds Water Co., Inc., in part payment for said rights and properties, may assume the outstanding liabilities of Elbert A. Reynolds, doing business as Humboldt Hill Water Company, as set forth in this application, and may issue, at par, such number of its \$10 par value common shares, not to exceed 3,368, as will equal the net worth of Elbert A. Reynolds, doing business as Humboldt Hill Water Company, as disclosed in the balance sheet of June 30, 1962, attached to the application as Exhibit A, adjusted to the date of consummation of the sale and transfer.

3. Reynolds Water Co., Inc., may issue not to exceed 2,880 shares of its \$10 par value common stock in payment of indebtedness of like amount.

4. Reynolds Water Co., Inc., upon acquiring said operative rights and properties, shall establish books of account in conformity with the Uniform System of Accounts prescribed for Class D Water Utilities and shall transfer to its books of account the book balances of the transferor

relating to the utility plant and depreciation reserve. Within sixty days after such acquisition, Reynolds Water Co., Inc., shall submit to the Commission copies of the journal entries to record the acquisition.

5. On or before the date of actual transfer -

- a. Seller shall refund all deposits, if any, which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to, and shall become the obligation for refund of, Reynolds Water Co., Inc.
- b. Seller shall transfer all advances for construction, if any, held by him, and further, the seller and the purchaser, within fifteen days after the date of transfer, shall jointly file with this Commission a certified copy of an appropriate instrument showing the names and addresses of all persons or corporations in whose favor such obligations exist and the amounts thereof.
- c. Seller shall transfer and deliver to the purchaser, which shall receive and preserve the same, all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

6. The rates and tariff service area map of Elbert A. Reynolds, doing business as Humboldt Hill Water Company, now on file with this Commission shall be refiled within thirty days after the date of actual transfer under the name of the purchaser, in accordance with the procedure prescribed by General Order No. 96-A, or, in lieu of such refileing, the purchaser may file a notice of adoption of said presently

filed rates and tariff service area map. No increases in the presently filed rates shall be made unless authorized by this Commission.

7. Reynolds Water Co., Inc., within thirty days after the date of actual transfer shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96-A, and in a manner acceptable to this Commission, rules governing customer relations revised to reflect present-day operating practices and sample copies of printed forms that are normally used in connection with customers' services. Such rules and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

8. If the authority herein granted is exercised, Reynolds Water Co., Inc., shall determine the accruals for depreciation by dividing the original cost of utility plant, less estimated future net salvage less depreciation reserve, by the estimated remaining life of the plant. It shall review the accruals as of January 1 of the year following the date of actual transfer and thereafter when major changes in depreciable utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

9. If the authority herein granted is exercised, Elbert A. Reynolds, doing business as Humboldt Hill Water Company, within thirty days thereafter, shall notify this Commission, in writing, of the date of such completion of the property transfer herein authorized and of his compliance with the conditions hereof.

10. Upon compliance with all of the conditions of this order, Elbert A. Reynolds, doing business as Humboldt Hill Water Company, shall stand relieved of all further public utility obligations in connection with the operation of the public utility water system herein authorized to be transferred.

11. Reynolds Water Co., Inc., shall file with the Commission a report, or reports, of the issue of said shares of stock as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

12. The authority herein granted shall become effective on the date hereof.

Dated at Los Angeles, California,  
this 19th day of SEPTEMBER, 1962.

George L. Crow  
President  
E. L. Lister  
Fredrick B. Hillhoff

Commissioner Peter B. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.  
- 6 - Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.