

ORIGINAL

Decision No. 68368

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint)
 Application of MADRONE LAKE WATER)
 COMPANY, a California corporation,)
 for an order authorizing (a) Lake)
 Madrone Water Company, a partner-)
 ship composed of Warren S. Pittman,)
 W. C. Hammon and Lola L. Hammon,)
 to sell and Madrone Lake Water)
 Company, a California corporation,)
 to purchase, the water system owned)
 and operated by Lake Madrone Water)
 Company; (b) Madrone Lake Water)
 Company, a California corporation,)
 to engage in the public utility)
 water business now being conducted)
 by Lake Madrone Water Company, a)
 partnership; and (c) Madrone Lake)
 Water Company to issue and sell)
 securities.)

Application No. 47120
Filed November 17, 1964

O P I N I O N

This is an application for an order of the Commission
 (1) authorizing Warren S. Pittman, W. C. Hammon and Lola L.
 Hammon to sell and transfer their water system known as Lake
 Madrone Water Company to Madrone Lake Water Company, a corpo-
 ration, and (2) authorizing Madrone Lake Water Company, in
 acquiring said water system, to issue \$17,500 par value of its
 common stock.

By Decision No. 61068, dated November 15, 1960, in
 Application No. 42367, a certificate of public convenience and
 necessity to construct and operate a public utility water system
 under the name of Lake Madrone Water Company was granted to

Warren S. Pittman, Frances E. Pittman, Wendell C. Hammon and Lola Lee Hammon. Frances E. Pittman died on June 11, 1962, and her interest in the properties and business passed to her husband, Warren S. Pittman. The application shows that applicants have continued to operate the water system and that service is presently provided to twelve consumers located in and about the unincorporated community of Madrone Lake, Butte County.

The utility anticipates a substantial increase in demand for service because of contemplated real estate development and it asserts that said demand will necessitate expansion and improvement of the existing water system. Applicants allege that a corporate form of organization is desirable under the circumstances and, that in order to accomplish such objective, they propose to sell and transfer their public utility properties to a new corporation, Madrone Lake Water Company. The balance sheet, attached to the application as Exhibit B, indicates that as of October 31, 1964, the equity in the enterprise was \$17,667.

Madrone Lake Water Company, a California corporation organized on or about October 26, 1964, proposes to purchase the water system and related assets, subject to existing liabilities, and to issue 1,750 shares of its common stock having an aggregate par value of \$17,500 in payment therefor.

The Commission has considered this matter and finds that: (1) the sale and transfer of the water utility business and related assets as proposed in this proceeding would not be adverse to the public interest; (2) 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 (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. In issuing our order herein, we place Madrone Lake Water Company and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return the company should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of its stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or before March 31, 1965, Warren S. Pittman, W. C. Hammon and Lola L. Hammon, doing business as Lake Madrone Water Company, may sell and transfer, and Madrone Lake Water Company, a corporation, may purchase and acquire, the certificate of public convenience and necessity granted by Decision No. 61068, dated November 15, 1960, in Application No. 42367, together with the related assets and public utility water business referred to in the application. Said sale and transfer may be made effective as of October 31, 1964, for accounting purposes.

2. Madrone Lake Water Company, on or before March 31, 1965, in acquiring said assets and business, may issue not to exceed \$17,500 par value of its common stock at not less than par.

3. Madrone Lake Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. On or before the date of actual transfer -

- a. Sellers shall refund all customers' deposits and all advances for construction, if any, which are due to be refunded at the date of transfer. Any unrefunded deposits and advances shall be transferred to and shall become the obligation for refund of Madrone Lake Water Company.
- b. Sellers shall transfer and deliver to purchaser all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and purchaser shall receive and preserve the same.

5. If the authority herein granted to transfer properties is exercised, Madrone Lake Water Company, within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such transfer.

6. Madrone Lake Water Company shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed rates and rules of sellers in accordance with the procedure prescribed by General Order No. 96-A. No increase in presently filed rates shall be made unless authorized by this Commission.

7. On or before the end of the third month after the consummation of the transfer as herein authorized, Madrone Lake Water Company shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the period from January 1, 1964 to and including October 31, 1964, the effective date of the transfer for accounting purposes.

8. Upon compliance with all of the conditions of this order, Warren S. Pittman, W. C. Hammon and Lola L. Hammon 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.

9. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of DECEMBER, 1964.

Frederic B. Hallock
President

Robert J. Hill

Robert A. Page

George L. Traver

William W. Bennett
Commissioners