

ORIGINAL

Decision No. 69033

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of ROBERT S. HALL)
and JOHN L. PIERCE for Order
Approving Sale and Purchase of
FOREST GLENN WATER COMPANY.

Application No. 47361
(Filed February 26, 1965)

Robert S. Hall and John L. Pierce, in propria
persona, applicants.

W. B. Stradley, for the Commission staff.

O P I N I O N

Robert S. Hall (seller) and John L. Pierce (buyer) seek
authority for the transfer of a water system.

A public hearing was held on this application before
Examiner Catey in Santa Cruz on April 2, 1965. Testimony was
presented by both seller and buyer. The matter was submitted at
the conclusion of the hearing.

Seller and Buyer

Seller is the owner of the public utility water system
serving the Forest Glen area, about one mile east of Aptos, Santa
Cruz County. He acquired the system from its previous owner
pursuant to the authority granted by Decision No. 41191, dated
February 2, 1948, in Application No. 29008.

Buyer is in the trenching and pipe laying business, with
headquarters in Aptos. He testified that he has done maintenance,
repair and installation work for seller and thus is familiar with
the water system serving Forest Glen. He has also been employed by
the owner of another public utility water system located nearby.

His testimony indicates that he has the technical and financial ability to acquire and operate the water system and to make necessary improvements.

Service and Rates

Decision No. 68248, dated November 24, 1964, in Case No. 7946, directed seller to make specific improvements to the water system and its method of operation. That decision also provided for an increase of \$6 per year in the present \$16 and \$24, respectively, flat rates for seasonal and annual service, and corresponding increases in meter minimum charges, with the increased rates to be authorized by supplemental order upon the filing by seller of a request for such increases and proof of compliance with the portions of the order requiring improvements to the system and its operation.

Buyer states that he can and will comply with the requirements of Decision No. 68248, but will need an approximately 90-day extension within which to complete the necessary work. The order herein will extend the time limit for completion of the improvements to July 1, 1965.

Agreement of Sale

On January 29, 1965, seller and buyer entered into an agreement of sale providing for the sale of the existing system for \$1, with the proviso that buyer comply with the requirements of Decision No. 68248. Seller's 1960 annual report to this Commission, his most recent complete annual report filed, showed year-end utility plant of \$11,688 and a corresponding depreciation reserve of \$972. It is noted that the depreciation reserve is considerably understated if the accrual rate allegedly used by seller was actually applied.

Findings and Conclusions

The Commission finds that:

1. The proposed sale and transfer will not be adverse to the public interest.

2. Buyer has the financial ability to acquire, improve and operate the water system.

The Commission concludes that the application should be granted as provided in the order which follows. The action taken herein does not constitute a finding as to the value or original cost of the properties authorized to be transferred, nor is it necessarily indicative of amounts to be included in proceedings for the determination of just and reasonable rates. To expedite the installation of needed improvements, the effective date of this order will be made the date hereof.

O R D E R

IT IS ORDERED that:

1. Within sixty days after the effective date of this order, Robert S. Hall (seller) may transfer to John L. Pierce (buyer) the water system referred to herein, substantially in accordance with the terms of the agreement attached to the application herein.

2. After the effective date of this order, and not less than five days before the date of actual transfer, buyer shall file a notice of adoption of seller's tariffs. Such filing shall comply with General Order No. 96-A. The effective date of the notice of adoption shall be the date of actual transfer.

3. On or before the date of actual transfer, seller shall file with this Commission his annual report for the year 1964, and shall refund all customers' deposits and advances for construction, if any, which are due and payable as of the date of transfer. All unrefunded deposits and advances shall be transferred to buyer, who shall be responsible for their refund when due.

4. On or before the date of actual transfer, seller shall deliver to buyer, and buyer shall receive and preserve, all

available records, memoranda and papers pertaining to the construction and operation of the properties authorized herein to be transferred.

5. Within five days after the date of actual transfer, seller and buyer jointly shall file in this proceeding a written statement, showing:

- a. The date of transfer. A true copy of the instrument of transfer shall be attached to the statement.
- b. The dates of compliance with the foregoing paragraphs 3 and 4.

6. Upon compliance with all of the conditions of this order, seller shall stand relieved of his public utility obligations in the area served by the transferred system and may discontinue service concurrently with the commencement of service by buyer.

7. Upon transfer of the system, buyer shall become subject to the order in Decision No. 68248, dated November 24, 1964, in Case No. 7946, except that the time limit for completion of the improvements to the system and its operations, set forth in detail in paragraphs 1 and 2 of that order, shall be July 1, 1965.

8. Buyer initially shall determine the depreciation rate by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. Buyer shall review the depreciation rate as of January 1 of the year following the date of transfer, at subsequent intervals of five

years, and whenever a major change in depreciable plant occurs. The results of each review shall be submitted promptly to the Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 11th day of MAY, 1965.

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

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.