

**ORIGINAL**

Decision No. 73155

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application )  
of T. J. DAVIS, doing business under )  
the firm name and style of T. J. DAVIS )  
WATER COMPANY and VILARE WATER COMPANY, )  
a California corporation, for an order )  
authorizing the former to sell to the )  
latter the water system owned and )  
operated by the former. )

Application No. 49391  
(Filed May 22, 1967;  
Amended August 9, 1967)

O P I N I O N

In this application, as amended, T. J. Davis, doing business as T. J. Davis Water Company (hereinafter called seller), seeks authority to sell his public utility system to Vilare Water Company (hereinafter called buyer), and thereafter to be relieved of his public utility obligation to serve water as authorized by Decision No. 65629.

Seller is a public utility engaged in the business of rendering water service in Tracts 396, 398, 369, and vicinity, Tulare County, California. The character of the business performed, or to be performed, by the buyer is that of an owner and operator of a waterworks system, as more particularly described in Decision No. 65629.

As alleged in the application, the reason for seller entering into the proposed sale is that seller desires to be relieved of the burden incident to the operation of said business. The buyer proposes to operate the system and make the system a modern and adequate water system to meet the present and future needs of users in the service area and adjacent properties.

The applicants, subject to the authorization of the Commission, have executed an agreement of sale for the water system for the sum of \$10,000. (Exhibit B attached to the application.)

Exhibit D attached to the amended application shows the book value total cost of plant facilities to be transferred as \$52,394.18.

Applicant Vilare Water Company also seeks authority to issue 10,000 shares of its common stock at a par value of \$1.00 per share for cash to be applied to the purchase of the aforementioned properties.

Applicants allege that the proposed transfer is in the public interest and that as a result of the transfer, the users of the water will have a more adequate and effective system. Applicants believe the selling price to be fair and reasonable to both parties, it having been mutually agreed upon after due consideration.

The Commission has considered the matter and finds that:

- (1) the proposed transfer is not 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.
- On the basis of these findings we conclude that the application, as amended, should be granted. A public hearing is not necessary.

In issuing our order herein, we place Vilare 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 corporation 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 the value

A. 49391 ds

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 after the effective date hereof and on or before December 31, 1967, T. J. Davis, doing business as T. J. Davis Water Company, may transfer and sell to Vilare Water Company, a corporation, his public utility water system in accordance with the terms and conditions of the agreement of sale attached to the application as Exhibit B. The foregoing authority is conditioned upon the requirement that Vilare Water Company shall assume all obligations for refund of construction advances made to T. J. Davis Water Company under the provisions of main extension agreements outstanding as of the date of actual transfer and T. J. Davis Water Company and Vilare Water Company shall jointly file with this Commission, within thirty days after that date, a verified statement showing the name and address of each person or corporation in whose favor any of such refund obligations exist and the unrefunded amount of construction advance subject to repayment to each person or corporation.

2. On or before the actual date of transfer, T. J. Davis Water Company shall refund all customers' deposits for the establishment of credit, which are subject to refund, and within ten days thereafter shall report to this Commission in writing regarding the completion of such refunding.

3. Vilare 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 seller in accordance with the procedure prescribed by General Order No. 96-A. No increases in presently filed rates shall be made unless authorized by this Commission.

4. On or before the end of the third month after the consummation of the transfer as herein authorized, Vilare Water Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of the seller for the period commencing with the first day of the current year to and including the effective date of the transfer.

5. Within ten days after the actual date of transfer, T. J. Davis Water Company shall notify this Commission of the date of transfer and the date upon which Vilare Water Company assumed operation of the water system herein authorized to be transferred.

6. Vilare Water Company, for the purposes set forth in this application, may issue 10,000 shares of stock at \$1.00 per share, after the effective date of this order.

7. Vilare Water Company shall file, within thirty days after the effective date of the transfer, four copies of a tariff service area map of the water system to serve Tulare County Tract 396, in accordance with the procedure prescribed by General Order No. 96-A.

8. Vilare Water Company shall file, within ninety days after the effective date of the transfer, two copies of the water system map, required by paragraph 1.10.a. of General Order No. 103, of water system facilities installed in Tracts 396 and 398.

9. If the authority granted herein is exercised for the year 1967, Vilare Water Company shall apply a depreciation rate of three percent to the original cost of depreciable plant. Until

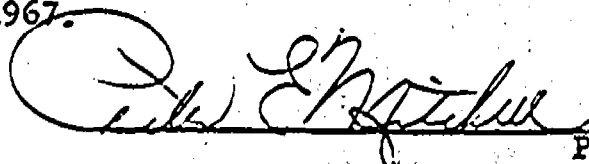
A. 49391 ds



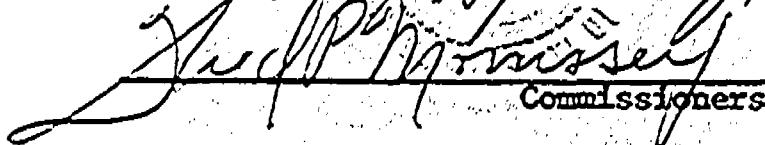
review indicates otherwise, Vilare Water Company shall continue to use this rate. Vilare Water Company shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by (1) subtracting the estimated 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. The results of each review shall be submitted promptly to the Commission.

10. Upon compliance with all of the above conditions of this order T. J. Davis, doing business as T. J. Davis Water Company, shall stand relieved of all further public utility obligations in connection with the operation of the public utility water system properties herein authorized to be transferred.

The effective date of this order shall be ten days after the date hereof.

Dated at Los Angeles, California, this 3rd  
day of OCTOBER, 1967.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.