

Decision No. 76040

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of )  
 ACTON M. CLEVELAND, for an Order )  
 authorizing the sale and transfer of )  
 the CAMPTONVILLE WATER SERVICE, a )  
 public utility water property, and )  
 related assets to WILLIAM E. GROVES, )  
 and GLADYS M. GROVES, and authorizing )  
 said transferees to issue a \$11,100.00 )  
 long-term note, and to execute and )  
 deliver Deeds of Trust. )

Application No. 50492  
(Filed August 19, 1968)

William E. Groves, for himself, applicant.  
Acton M. Cleveland, for himself, applicant.  
William A. Richmond, for applicants.  
W. B. Stradley, for the Commission staff.

O P I N I O N

Acton M. Cleveland (seller) requests authorization to transfer his water system known as the Camptonville Water Service to William E. Groves and Gladys M. Groves, (buyers). Public hearing was held before Examiner Coffey in Nevada City on June 27, 1969.

Seller provides water service at flat rates to about 82 customers and 10 fire hydrants in the town of Camptonville, County of Yuba.

It is proposed that the water system be sold for a total purchase price of \$13,600, \$2,500 of which is to be paid in cash and the remainder to be evidenced by a \$11,100 note secured by deeds of trust on buyers' home and the water system. The notes are repayable in equal monthly installments of \$135, including interest at 6% per annum.

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As of December 31, 1967, seller had recorded \$9,109.37 of water plant in service and had accumulated a reserve for depreciation of \$6,226.97.

Total utility property was appraised by a staff witness to be \$12,586.12 as of December 31, 1968, as set forth in Exhibit No. 2. A reserve requirement study would reduce the recorded depreciation reserve to \$4,373.13 so that the water plant less depreciation reserve would amount to \$8,212.99. The purchase price exceeds this net plant by \$5,387.

It appears that applicants relied on tax assessment full cash valuation of \$4,000 for land and \$10,000 for improvements to establish the value of the properties to be transferred. During the hearing applicants were advised that the original or historical cost of plant and not the present market value of plant is utilized by the Commission in its determination of reasonableness of water rates to be authorized. Nevertheless, buyers indicated their willingness to purchase the property in order to accumulate an equity interest and to continue water service to the community. Buyers further indicated willingness to devote their available resources and to procure any necessary funds required to finance the utility operation. Members of buyers' family are available to assist in maintenance of service.

Seller has known buyers for many years and is willing to cooperate with and assist buyers in the event of a financial or service emergency. Seller has employed or been associated with Mr. Groves in much of his employment maintaining the water system, as constable and with the Yuba County Road Department.

Seller is now 70 years old and desires to turn over the operation of the water system to insure continued service to the community. Seller believes buyers are qualified to operate and maintain the system, and will do so. Since Mr. Groves has been maintaining the water system for the past several years, he is familiar with the operational and maintenance problems thereof.

We find that:

1. Buyers have the ability to acquire and operate seller's water system without interruption in service.

2. Upon the consummation of the proposed transfer, seller will no longer be performing public utility service.

3. Subject to the conditions set forth in the order which follows, the proposed sale and transfer will not be adverse to the public interest.

4. The appraisal of water plant in service set forth in Exhibit No. 2 appears reasonable and the plant accounts of the utility should conform to this appraisal.

5. This record does not disclose if seller has earned the amounts of depreciation accrued in past years.

6. This record does not demonstrate the reasonableness of the estimated depreciation reserve requirement of \$4,373.13 at the end of 1968.

7. 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 such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The action taken herein is for the authorization of the sale and transfer of the Camptonville Water Service and is not to be

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considered as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

We conclude that the application should be granted as provided in the following order.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Acton M. Cleveland may sell and transfer to William E. Groves and Gladys M. Groves the water system known as the Camptonville Water Service substantially in accordance with the terms described in the agreement attached to the application.

2. On or after the effective date hereof William E. Groves and Gladys M. Groves, for the purpose specified in this proceeding, may issue a note in the principal amount of not exceeding \$11,100 and may execute and deliver deeds of trust. The documents shall be in the same form, or in substantially the same form, as those attached to the application.

3. William E. Groves and Gladys M. Groves 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 transfer, Acton M. Cleveland shall refund all customers' deposits and all amounts under advances for construction agreements representing refunds due and payable, if any, as of the date of transfer.

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

- a. The date of transfer. A true copy of the instrument or instruments of transfer shall be attached to the statement.
- b. The dates of compliance with the foregoing ordering paragraph 4, or a statement that there were no deposits advances for construction held by seller.

6. Upon compliance with all of the conditions of this order, seller shall stand relieved of any public utility obligation he may have in the area served by the transferred system and may discontinue service concurrently with the commencement of service by buyers.

7. After the effective date of this order and not less than five days before the date of actual transfer, buyers 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.

8. On or before the date of actual transfer, seller shall deliver to buyers and buyers shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties authorized herein to be transferred.

9. On or before the end of the third month of the date of actual transfer, buyers shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the period from the first day of the current year to and including the effective date of transfer.

10. Buyers shall account for the acquisition of the properties herein authorized to be transferred in accordance with the instructions relating to water plant purchase contained in the Uniform System of Accounts for Class D Water Utilities.

11. On or before the end of the third month of the date of actual transfer, buyers shall cause to be filed with the Commission

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the journal entries by which they propose to bring their plant accounts into accord with the Appraisal of Properties set forth in Exhibit No. 2.

12. Buyers shall apply a depreciation rate of 2 percent to the original cost of depreciable plant. Until review indicates otherwise, buyers shall continue to use this rate. Buyers shall review their depreciation rate 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 remainder 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.

The authority herein granted to issue a note will become effective when buyers have paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 19th day of AUGUST, 1969.

William J. ...  
President

August  
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Commissioners

