

ORIGINAL

Decision No. 80726

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Amervale Service
Corporation doing business as Amervale
Service Corporation to sell and Otto
A. Knaak & Ruth M. Knaak to buy the
water system in American Valley East
Quincy, Plumas County.

Application No. 53556
(Filed August 30, 1972)

O P I N I O N

Amervale Service Corporation (seller) and Otto A. Knaak and Ruth M. Knaak (buyers) seek authority for the transfer of a water system.

Service Area and Water System

Decision No. 51695, dated July 18, 1955, in Application No. 36867, granted seller a certificate to construct a water system to serve a 22-acre tract known as Amervale Subdivision. The tract consisted of about 80 lots and was located in an unincorporated area of Plumas County, about two miles southeast of Quincy. There has been no change in service area boundary since the original certification.

The water system properties consist primarily of a well site, a well, a pump, a storage tank, 5,320 feet of distribution mains and 55 unmetered services.

Seller and Buyers

Seller is Amervale Service Corporation, a California corporation formed in 1955. Its president lives in Tiburon, Marin County, California, which makes it difficult to manage the utility properly.

Buyers are individuals who reside in Quincy, have been in business in that area and are customers of seller. Mr. Knaak has been employed by a local lumber company since the sale of his business in July, 1972. Buyers' financial condition is shown by their financial statement, Exhibit C to the application.

Rates and Rules

Seller's present rates were established in 1970 by the filing of Advice Letter No. 7. Seller's rules are those authorized upon certification, except that its main extension rules and contract forms have been brought up to date pursuant to statewide changes directed by the Commission. No changes in rates or rules are proposed upon transfer of the system to buyers.

Previous Transfer Actions

Decision No. 79239, dated October 13, 1971, in Application No. 52850 authorized the transfer of the water system to Harry C. Wuner and Ruth K. Wuner. The authorization expired December 31, 1971 without having been exercised.

Exhibit "B" to the current application is a copy of a grant deed from seller to Charles B. Koehler, Margery Koehler, Arnold C. Anderson and Ethel Ann Anderson. The deed is dated August 23, 1972. Inasmuch as that transfer had not been authorized by this Commission, the purported transfer is void.^{1/} This should cause no problem, however, because Koehler and Anderson are officers of seller and presumably can execute a valid grant deed directly from seller to buyers, pursuant to the order herein.

Proposed Transfer

The proposed selling price for the water system, including the well site and an adjacent lot not used for utility purposes, is \$11,000. The transfer agreement attached to the application shows that \$4,100 will be payable in cash and that the \$6,900 balance will be represented by a note, secured by a deed of trust. The note will be payable at \$139.10 per month, including interest at 7-3/4 percent per annum, which will require payments for approximately five years.

^{1/} Section 851 of the Public Utilities Code states, in part:
"Every...sale...made other than in accordance with the order of the Commission authorizing it is void."

The staff of the Commission's Finance and Accounts Division prepared a memorandum report dated October 2, 1972 on this application. That report, together with the cover memorandum to the assigned examiner, is received as Exhibit No. 1.

The staff report points out that the \$11,000 sale price exceeds the \$9,064 depreciated original cost of plant as determined by the staff. The sale price, however, includes an additional lot not used for utility purposes and thus not included in utility plant.

Exhibit No. 1 states that both the Utilities Division and the Finance and Accounts Division recommend that the application be granted.

Findings and Conclusions

The Commission finds that:

1-a. The proposed transfer will not be adverse to the public interest.

b. Buyers have the financial ability to acquire and operate the water system.

2. Buyers' proposal to adopt seller's tariffs is reasonable.

3. Seller's records, memoranda and papers pertaining to the construction and operation of the water system will be needed by buyers upon transfer of the system.

4. The property to be procured or paid for by the issuance of indebtedness herein authorized is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income.

5. A public hearing is not necessary.

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.

O R D E R

IT IS ORDERED that:

1.a. Within one year after the effective date of this order, Amervale Service Corporation (seller) may transfer to Otto A. Knaak and Ruth M. Knaak (buyers) the certificate of public convenience and necessity and the water system referred to herein, substantially in accordance with the terms discussed herein.

b. Within five days after the date of actual transfer, seller and buyers jointly shall file in this proceeding:

- (1) A statement showing the date of transfer.
- (2) A true copy of the instrument or instruments of transfer.

2. 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.

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

b. Within five days after the date of actual transfer, seller and buyers jointly shall file in this proceeding a written statement showing the date of compliance with the foregoing subparagraph 3.a.

c. On or before the end of the third month after 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 the transfer.

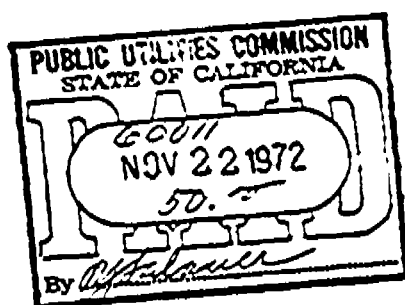
4. Buyers are authorized to issue a promissory note in the sum of \$6,900, secured by a deed of trust on the utility property, in the terms set forth in the foregoing opinion.

5. Buyer 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.

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

The authority herein granted to issue a note will become effective when buyers have paid to the Commission the \$50 fee prescribed by Section 1904(b) of the Public Utilities Code. In all other respects, the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 14th
day of NOVEMBER, 1972.



Vernon L. Sturgeon
President
William J. ...
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Commissioners