

ORIGINAL

Decision No. 82156

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of VERN E. and
ETHEL F. DACUS, Owners
doing business as JOHNSON
PARK WATER WORKS, to
sell, and WALTER N. KNUDSEN
to purchase, JOHNSON PARK
WATER WORKS, a public utility
water system.

Application No. 54126
(Filed June 26, 1973)

Franklin S. Cibula, Attorney at Law,
for applicants.
Leslie D. Hay, for himself, interested
party.
J. E. Johnson and J. J. Gibbons, for
the Commission staff.

O P I N I O N

This application was filed to request authority to transfer a water system near Burney, Shasta County, California, which serves 188 metered customers, 59 flat rate customers, and 7 fire hydrants. The reported net plant at the close of 1972 amounted to approximately \$76,000. The sale price is \$90,000. The payment terms are \$25,000 down and a \$65,000 note for the balance, with 7 percent interest and monthly payments of \$600, including interest. Payoff of the note will require about 15 years. The security agreement attached to the application provides that only interest will be paid the first year, with the first payment due on June 1, 1973. The sellers are a husband and wife who purchased the Johnson Park Water Works for \$13,500 on July 26, 1966, when it was serving about 170 customers. The sellers have improved and expanded the system each year and their present investment before depreciation is about \$57,701. This application is the second attempt to sell

the system this year. It was sold by present sellers under authority of Decision No. 81035 dated February 6, 1973 in Application No. 53689. The terms of the prior sale were identical to the present contract. The first buyers filed a petition on March 12, 1973 to request that Decision No. 81035 be set aside and the sale canceled. Decision No. 81035 was rescinded and Application No. 53689 was denied by Decision No. 81653 dated July 31, 1973. A public hearing in Application No. 54126 was held on August 30, 1973 in Redding before Examiner Fraser. Mrs. Dacus testified along with the buyer, and the Commission staff provided an exhibit and assisted in developing the record. Applicants introduced two late-filed exhibits which were received on September 10, 1973.

Testimony reveals that Mr. Dacus has maintained and operated the system since 1966. He is now very ill and in need of immediate surgery. The buyer is a 55-year-old sewer contractor, who is also qualified as a welder and millwright. He testified he has worked on the system since the present owners acquired it. He owns his own trucks, backhoes, and other tools required to complete all replacement or repair. He advised his sewer contracting business provides an income of \$14,000 a year and he owns two homes which he has rented to local residents. He is not married and has no dependents. The profit from his business and rentals will cover his personal needs and most of the income from the utility will be used to improve and expand the plant. The system is attracting about 10 new customers a year and all new connections are now provided with meters. He stated he will have no full-time employees but will engage a part-time bookkeeper. He advised that he is aware any future rate increases must be based on the book value of the depreciated utility system and not on the sales price. A staff witness testified that the system has 30,836 feet of pipe, with 23,000 feet of two-inch or less and over 16,000 feet of four-inch

pipe. Mrs. Dacus testified that her husband is too ill and elderly to manage the system, especially in the winter and the system is too small to justify hiring several full time employees.

Discussion

The application should be granted. Buyer is solvent with an independent business and has assisted on utility maintenance for many years. He seems aware of the problems involved and is better qualified than a stranger, who would not be familiar with the system.

Findings

1. Sellers are a husband and wife who have applied to sell the utility plant and property because the husband is too old and ill to work on the system and manage it.
2. Buyer has assisted with system maintenance for many years and has the necessary trucks and heavy equipment to perform anticipated repairs.
3. Buyer has his own contracting business and is receiving rentals from certain property as the owner thereof.
4. Buyer does not need the income from the water system to provide his living expenses.
5. The proposed transfer would not be adverse to the public interest.
6. We find with reasonable certainty that the project involved in this proceeding will not have a significant effect on the environment.

The money, property, or labor to be procured or paid for by the execution of the note herein authorized is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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. Within one year after the effective date of this order, Vern E. Dacus and Ethel F. Dacus may transfer to Walter N. Knudsen their interest in the water system referred to herein substantially in accordance with the terms described herein.
2. After the effective date of this order, and not less than five days before the actual transfer, purchaser shall file a notice of adoption of system'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, sellers 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 purchaser who shall be responsible for their refund when due.
4. On or before the date of actual transfer, sellers shall deliver to purchaser, and purchaser 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, sellers and purchaser 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 paragraphs 3 and 4.
6. The sellers shall transfer to the purchaser all existing accounting records and supporting documents of this utility.

7. The purchaser shall record in his books of account the utility plant account balances and related reserve for depreciation as of January 1, 1973, as set forth in the tabulation on page 1 of the memorandum report and add thereto any additions and retirements recorded by the sellers from January 1, 1973 to the date of transfer.

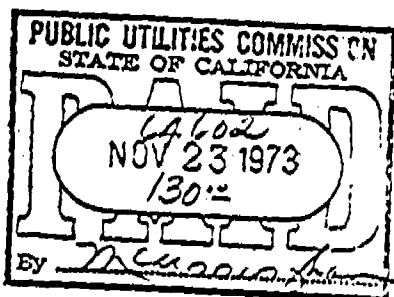
8.a. The purchaser, for the purposes set forth in this proceeding, may issue a note in the aggregate principal amount of not exceeding \$65,000 in the same form, or in substantially the same form, as Exhibit D attached to the application.

b. Purchaser shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

9. Upon compliance with all of the conditions of this order, sellers shall stand relieved of their public utility obligations in the area served by the transferred system and may discontinue service concurrently with the commencement of service by purchaser.

The authority herein granted to issue a note will become effective when purchaser has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$130. In other respects the effective date of this order is the date hereof.

Dated at San Francisco, California, this 20th day of NOVEMBER, 1973.



President
William J. Sturgeon

William J. Sturgeon

William J. Sturgeon

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.