

ORIGINAL

Decision No. 82890

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
MARGURETTE FITTJE and ALWIN O. FITTJE
(deceased) for authority to sell to
FRANCIS H. FERRARO all of the rights,
title and interest in the water system
known as the Biola Water Company, in
the County of Fresno, State of California,
and to transfer the certificate of public
convenience and necessity.

Application No. 54588
(Filed January 21, 1974)

O P I N I O N

Margurette Fittje requests authority to sell and transfer, and Francis H. Ferraro requests authority to purchase and acquire, a public utility water system known as Biola Water Company.

The water system is located approximately eight miles from Highway City, Fresno County, and serves 162 customers. The agreed consideration for the system is \$19,000, payable as follows: \$2,000 in cash and the balance payable in monthly installments of \$175 with interest at the rate of 8 percent per annum.

Applicant buyer is the owner and manager of Kavanagh Vista Water Co., PPD Corporation, Northeast Gardens Water Co., the Calumet Water Co., and the Easton Estates Water Co., all of which are public utility water systems subject to the jurisdiction of this Commission.

Applicant seller alleges that since the death of her husband she is unable to continue operating the water system.

The staff prepared a report which is received in this proceeding as Exhibit 1. The exhibit notes that with the exception of Rule No. 15, the utility is using out-of-date rules filed in 1946 or 1954, which should be modernized as follows:

- a. The filed flat rate schedules, Schedules Nos. 2 and 3, rates for air cooling units, should be combined as set forth in Appendix A.
- b. Approximately 16 commercial and industrial customers, presently being served on a flat rate basis, should be on metered rates.
- c. In Rule No. 5, the interest payable for deposits held longer than one year should be changed from 5 to 6 percent.
- d. In Rule No. 7, the domestic service, A.1.a, deposit amount should be raised from \$2.50 to \$5.00 and A.1.b. from \$2.50 to twice the estimated average monthly bill. Item E.1., interest on deposits, should be raised from 5 to 6 percent.
- e. Present Rule No. 17, new Rule No. 18:
Charge for meter testing changed as follows:
One inch or smaller from \$1.00 to \$2.00
Larger than one inch from \$2.50 to \$3.50

The exhibit further notes that the information in applicant seller's 1968 annual report revealed that approximately 644 feet of 6-inch cement-asbestos water mains having an original cost of \$2,800 were donated to the utility. The annual reports filed with the Commission from 1968 through 1972 do not reflect correct accounting for the depreciation applicable to this contributed plant. Instead of charging Account 265 with the annual depreciation on the contributed plant, applicant charged Account 503, Depreciation, contrary to the provisions of this Commission's Uniform System of Accounts for Class D Water Utilities.

The following tabulation presents the proper support for adjusting the two accounts affected, Account 265, Contributions in Aid of Construction, and Account 204, Proprietary Capital:

<u>Year</u>	<u>Depreciable Contributed Plant</u>	<u>Rate</u>	<u>Depr. Charged to Account 265</u>	<u>Year End Balance Account 265</u>
1968	\$2,800	2.6	\$73	\$2,727
1969	2,800	2.6	73	2,654
1970	2,800	2.6	73	2,581
1971	2,800	2.3	64	2,517
1972	2,800	2.3	64	2,453
			<u>\$347^{a/}</u>	

a/ Recommended staff adjustment as of 12/31/72 excluding amounts accrued from 12/31/72 to effective date of transfer.

	<u>DR</u>	<u>CR</u>
Ac. 265 Contributions in Aid of Construction	\$347	
Ac. 204 Proprietary Capital		\$347

To adjust above accounts to reflect proper accounting for depreciation on contributed plant.

Exhibit 1 also indicates that a further review of applicant seller's annual reports, 1968 through 1972, revealed that the composite depreciation rate is being applied against nondepreciable items of utility plant, namely, Intangible Plant and Land. However, the total amounts recorded in these two accounts during the above years amounted to \$250 and the overstatement of the reserve for depreciation due to this error, in the opinion of the staff, does not materially distort the reserve. It is the staff's recommendation that future depreciation accruals should exclude depreciation on nondepreciable plant accounts.

After consideration the Commission finds that the proposed transfer would not be adverse to the public interest and that the proposed security issue is for proper purposes and the money, property, or labor to be procured or paid for by the issue of the security authorized by the decision is reasonably required for the purposes specified, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

We find with reasonable certainty that the project involved in this proceeding will not have a significant effect on the environment.

The authorization granted by this decision is for the purpose of this proceeding only, and is not to be construed 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 before December 1, 1974, Margurette Fittje may sell and transfer the water system referred to in the application to Francis H. Ferraro.
2. As a condition of this grant of authority, purchaser shall assume the public utility obligations of seller within the area served by the water system being transferred and shall assume liability for refunds of all existing customer deposits and advances pertaining to the water system being transferred. Purchaser shall send notice of the assumption of liability for refunds to all customers affected.
3. Within ten days after completion of the transfer, purchaser shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 2 of this order.

4. In accordance with the procedures prescribed by General Order No. 96-A purchaser shall file a statement adopting the tariffs of seller now on file with this Commission, except that purchaser shall file a new Schedule 2R as shown in Exhibit A, delete present Schedules Nos. 2 and 3, and file a new set of rules and forms excepting Rule No. 15. Purchaser is authorized to increase the interest payable in Rule No. 5 from 5 to 6 percent, increase the deposit amounts in Rule No. 7 as well as the interest on deposits, and raise the meter testing charges in present Rule No. 17. Also, purchaser is authorized to revise proposed Rule No. 19 by removing the phrase "at the option of the applicant".

5. On or before the date of actual transfer, seller shall deliver to purchaser, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred. Purchaser shall adjust his accounts in conformity with this decision.

6. On or before the end of the third month after the date of actual transfer, purchaser shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of seller for the period commencing with the first day of the current year to and including the effective date of the transfer.

7. Upon compliance with all of the terms and conditions of this order, seller shall be relieved of her public utility obligations in connection with the water system transferred.

8. After the effective date hereof purchaser may execute evidence of indebtedness in an amount not to exceed \$17,000.

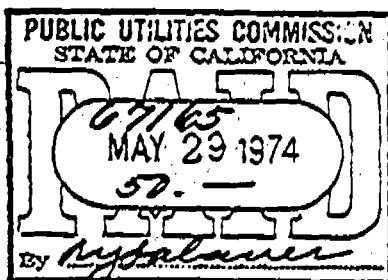
9. The issuer of the securities authorized by this order shall file with the Commission a report, or reports, as required by General Order No. 24-Series.

10. The authority granted by this order to issue an evidence of indebtedness will become effective when the issuer has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 21st day of MAY, 1974.

Vernon L. Sturgeon
President
William J. Quinn
Thomas Moran

Commissioners



Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Schedule No. 2R
RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The unincorporated community of Biola, Fresno County.

RATES

Per Service Connection
Per Month

For a single-family residential unit	\$3.20
a. For each additional single-family residential unit on the same premises and served from the same service connection	2.50

For each window-box type air cooling unit, or evaporative coolers, in addition to the dwelling rate, a charge will be made during months of use which will be considered as the months of May, June, July, August and September, except where the consumer notifies the company as to the months during the above period in which the unit will not be in service, provided the unit is disconnected during such months, subject to inspection by company representatives:

Circulating type20
Non-circulating type40

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.