

Decision No. 84904**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 H. JEFF DENNIS, RONALD L. PARDINI,
 ROBERT M. ISAACS, DANIEL SCHWARTZ,
 IRVING LOUBE, HOWARD BLOOM, JOHN
 SPARROWK, DON L. DORMER, ROBERT J.
 NOLT, CHARLES SPATS, NATHAN KESSLER,
 ROBERT J. SCHERMAN, HENRY J. ROONEY,
 and JOHN J. AHERN for an order
 authorizing the sale and transfer
 of all corporate stock to JOSEPH C.
 SMYTH and VICTOR D. KLIEWER.

Application No. 55620
 (Filed April 11, 1975)

O P I N I O N

The sellers named above request authority to transfer all of the stock which they individually own in Indian Wells Water Company, Inc. (Indian Wells), located near Coarsegold, 55 miles south of Yosemite National Park, to Joseph C. Smyth and Victor D. Kliewer, purchasers, for a total of \$2,500. Sellers collectively own all of the stock of Indian Wells. The contract of sale submitted with the application conditions the sale on the Commission's approval of the transaction and on the Commission's authorizing the release of the sum of \$8,300 represented by a Certificate of Deposit held in the Union Bank to Indian Lakes Estates. The \$8,300 represents the remainder of \$15,000 which we required the stockholders of Indian Wells Water Company, Inc. to set up as a loss reimbursement fund in Decision No. 76117 dated September 3, 1969 to be used by Indian Wells in meeting out-of-pocket expenses incurred by the utility operation to the extent the expenses exceed gross revenues and for replacement of existing plant facilities if later authorized by the Commission. The water company, as of December 31, 1973, had 11 active and 540 inactive connections and grossed \$720 in 1973 for a net loss of \$6,893. The plant was installed

at a cost of \$259,115. The Commission's reasons for requiring the establishment of the loss reimbursement fund were that "The Commission was aware that there have been instances where, after all or most of the lots have been sold, subdividers who form new water utilities lose their enthusiasm for subsidizing the utility during the developmental period" and that "Estimates by the staff indicate that, during the next ten years, applicant will sustain an out-of-pocket loss of about \$15,000". Sellers state that the acquisition of the system by purchasers will be beneficial to the customers of the utility in that it will assure those customers of a reliable and experienced operator, knowledgeable with the requirements of the area. Buyers state that they are willing to acquire the responsibilities of the utility because its accounting and operational functions may be performed in conjunction with other water systems they are acquiring. Indian Wells was granted a certificate to construct the basic system in June of 1966 and was granted a certificate of extension in December of 1966.

Discussion

The reasons we gave for requiring Indian Wells to establish the loss reimbursement fund still obtain at this date. With only eleven active service connections, Indian Wells is still in the developmental state. Commission records indicate that the company has consistently withdrawn monies each year since the fund was set up. It would be unfair to the customers of Indian Wells to permit this back-up fund to vanish and buyers have not come forward with any alternative plan for subsidizing Indian Wells until it becomes a viable operation. We will authorize the sale of stock but insist that the escrow fund remain intact for use as originally planned.

After consideration the Commission finds and concludes that the proposed transaction, to the extent authorized in the ordering paragraphs below, will not be adverse to the public interest. The Commission further finds that authorizing the release of the \$8,300 which represents the balance of a loss reimbursement fund which Indian Wells was directed to set up by Decision No. 76117, would be adverse to the public interest. A hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Except as provided in Ordering Paragraph 2, H. Jeff Dennis, Ronald L. Pardini, Robert M. Isaacs, Daniel Schwartz, Irving Loube, Howard Bloom, John Sparrowk, Don L. Dormer, Robert J. Nolt, Charles Spats, Nathan Kessler, Robert J. Scherman, Henry J. Rooney, and John J. Ahern are authorized to sell the outstanding stock of Indian Wells Water Company, Inc. as requested in the application on or before ninety days from the effective date of this order.

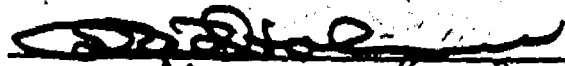
2. In the event of the sale of stock as authorized in Ordering Paragraph 1, the balance in the loss reimbursement fund which the Commission required be set up in Decision No. 76117 shall not be released to Indian Lakes Estates nor to anyone else but shall remain under the present escrow arrangement and continue to be used for the original purpose intended.

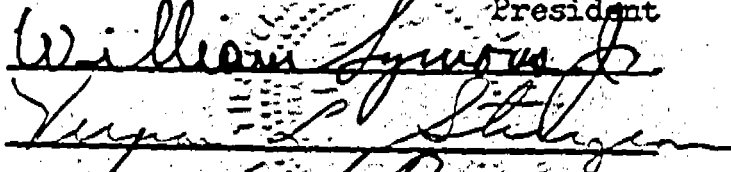
3. In the event the parties do not desire to complete the proposed purchase and sale of stock subject to the restriction set out in Ordering Paragraph 2, then the application is denied.

4. In the event the proposed transaction is completed subject to the restriction set out in Ordering Paragraph 2, the parties, within twenty days after completion, shall inform the Commission in writing of the completion of the transaction.

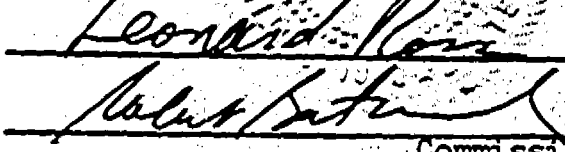
The effective date of this order is the date hereof.

Dated at San Francisco, California, this 16th
day of SEPTEMBER, 1975.



President


Leonard Ross



Commissioners