

Decision No. 84912**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application
 of Angora Water Co., a corporation, for
 Authority to Issue Common Stock and
 of Echo View Estates Water Co., Inc.,
 a corporation, for Authority to Sell
 and Transfer all of its Rights,
 Title, and Interest to Angora Water Co.

Application No. 55697
 (Filed May 22, 1975)

O P I N I O N

By this joint application applicant Echo View Estates Water Co., Inc. (Echo) seeks authority to sell to Angora Water Co. (Angora) all of its rights, title, and interest in and to Echo's public utility water system including Echo's certificate of public convenience and necessity, issued by Decision No. 61608 dated March 4, 1961 in Application No. 42287 and to be relieved from all further responsibility to provide public utility water service after the effective date of such sale. Angora seeks authority to issue common stock to third parties in exchange for certain real property which Angora will then convey directly to Echo in return for all public utility properties and rights of Echo.

Angora is a California corporation, doing business as a public utility, serving water to the public in portions of the city of South Lake Tahoe and surrounding vicinity in El Dorado County, California. Echo is a California corporation, doing business as a public utility, serving water to the public in an unincorporated portion of El Dorado County, California, approximately 2-1/2 miles south of the city of South Lake Tahoe. The service area of Echo includes presently existing Units 1 and 2 and proposed Unit 3 of Echo View Estates Subdivision.

Angora proposes to issue a total of 25,000 shares of its common stock of the par value of one dollar per share in exchange for Lots 844 and 845 in Tahoe Paradise Unit No. 12, El Dorado County, California. Said stock is to be issued to the following persons in the following respective amounts: to Stanley L. Martin, 4,000 shares; to Gerald E. Martin, 10,500 shares; to Donald L. Martin, 10,500 shares, pursuant to the proposed agreement between Angora and Martin Brothers, a copartnership consisting of Stanley L. Martin, Gerald E. Martin, and Donald L. Martin, a copy of which is attached to the application as Exhibit C.

A copy of the proposed agreement between Angora and Echo is attached to the application as Exhibit B. Pursuant to said proposed agreement, the total price of \$25,000 to be paid by Angora to Echo for Echo's water system properties shall be paid by Angora by conveying to Echo the Lots 844 and 845 in Tahoe Paradise Unit No. 12, El Dorado County, California. In Exhibit D attached to the application the fair market value of each of said lots is stated to be not less than the sum of \$12,500. By virtue of the agreement or otherwise Angora is not assuming any debts or liabilities incurred by Echo in connection with the operation of its water system or otherwise, and Echo agrees to indemnify Angora against and hold Angora harmless from any and all debts and liabilities of Echo arising out of facts occurring before the close of escrow.

The 1974 Annual Report of Echo, as of December 31, 1974, shows water plant in service in the amount of \$78,189, reserve for depreciation of utility plant of \$34,581, and advances for construction in the amount of \$14,323. The advances for construction were made to Echo by the persons who are the sole stockholders of that company. A copy of a letter dated July 2, 1975 from Mrs. Lucille Lampson and Mrs. Mary Moroni, the present owners of Echo, to Mr. Stanley Martin, President of Angora, advising that they are

discharging and releasing Echo from all liabilities to them individually, which release and discharge is contingent upon the Commission's granting Application No. 55697 pursuant to which the assets of Echo would be acquired by Angora has been submitted to the Commission by attorney William G. Fleckles and has been received in evidence in this proceeding as Exhibit No. 1. The 1974 Annual Report of Echo shows that there are no customers' deposits.

Upon the acquisition of Echo's properties and the assumption of the obligation to provide public utility water service within Echo's present service area, Angora proposes to file a revised schedule of rates affecting the former customers of Echo which would make all rates to customers within Angora's expanded service area uniform. When this application was filed Angora and Echo had identical annual residential flat rate service rates. On June 24, 1975 the Commission approved an advice letter filing rate increase for Angora. If the presently approved Angora rates are made effective for the 21 customers of Echo who presently receive residential flat rate service, their annual service charges would be increased from \$72 to \$78 per year or 8.3 percent. Echo also has a total of nine public fire hydrant service connections by which it provides service to the Lake Valley Fire Protection District. If Angora's present rates become applicable to customers currently receiving public fire hydrant service within Echo's service area, the charges to such customers will increase from \$2.50 per month to \$3 per month, or 20 percent, for each steamer-type hydrant.

Angora has operated a public utility water system in and near South Lake Tahoe since 1960. Members of Angora's management have operated public utility water systems in the Lake Tahoe area in both California and Nevada for in excess of 20 years. All of Angora's officers presently live in the vicinity of Echo's service area which

area is virtually surrounded by Angora's service area. The present owners of Echo, Mrs. Lucille Lampson and Mrs. Mary Moroni, are widows who are not permanent residents of the South Lake Tahoe area. On past occasions Angora's crews have been called upon by Echo's management and Echo's customers to remedy certain service problems being experienced by customers of Echo. The transfer of Echo's properties to Angora will provide an improvement in the caliber of service available for Echo's customers.

The 1974 Annual Report of Angora shows assets of \$1,385,105, including total utility plant less reserves of \$1,283,583, liabilities of \$1,178,239, and corporate capital and surplus of \$206,866. The net income for the year 1974 amounted to \$4,272.

The Commission finds that:

1. The proposed sale and transfer is not adverse to the public interest.
2. Buyer has the financial resources to acquire and operate the water system known as Echo View Estates Water Company.
3. It is reasonable for buyer to apply the present rates of seller in the service area of Echo View Estates Water Company until such time as buyer obtains authorization from this Commission to increase such rates to the level of rates authorized for the present service area of Angora Water Co.
4. 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 this 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.
5. The project involved in this proceeding will not have a significant effect on the environment.
6. A public hearing is not necessary.

On the basis of the foregoing findings the Commission concludes that the application should be granted as provided in the following order.

The authorization granted shall not be construed as a finding of the value of the rights and properties authorized to be transferred.

In issuing this decision we place the issuer of the authorized stock and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor 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 October 31, 1975 Echo View Estates Water Co., Inc. (seller) may sell and transfer the water system (and other assets) referred to in the application to Angora Water Co. (purchaser), substantially in accordance with the terms of the proposed agreement attached to the application herein as Exhibit B.
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.
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. Purchaser shall either file a statement adopting the tariffs of seller now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order No. 96-A. No increase in rates shall be made unless authorized by this Commission.

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.

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 its public utility obligations in connection with the water system transferred.

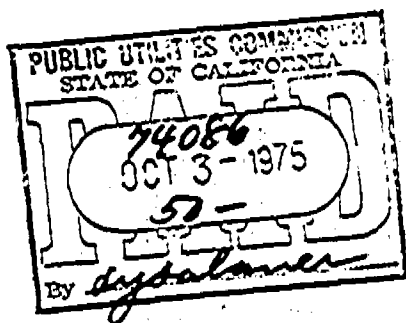
8. On or after the effective date of this order and on or before October 31, 1975, for the purposes specified in this proceeding, purchaser may issue not exceeding 25,000 shares of its common stock having a par value of \$1 per share.

9. Within sixty days after the consummation of the purchase herein authorized, Angora Water Co. shall file with the Commission a copy of each journal entry used to record the purchase on its books of account.

The authority granted by this order to issue stock will become effective when the issuer has paid the fee prescribed by

Section 1904.1 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 16th day of SEPTEMBER, 1975.



President

Commissioners