

ORIGINAL

Decision S4 03 021 MAR 7 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pleasant Grove
Water Co., doing business as
Pleasant Grove Water Co., to sell
and Roy Cawthray to buy the water
system in Tulare County.

Application 83-10-08
(Filed October 5, 1983)

O P I N I O N

Maurice M. Green and Bernice F. Green (sellers) own the common stock of Pleasant Grove Water Co. (PGW). Their utility provides flat rate water service to approximately 100 customers in a service area located near the City of Porterville. Roy Cawthray (buyer) proposes to buy the system for \$5,000. Buyer is aware that \$5,000 is greater than the amount which will be used for ratemaking purposes for those facilities.

The original cost of the utility plant sellers propose to sell is \$16,654. There are no costs of organization or incorporation in that total. As of December 31, 1982 the depreciation reserve on the utility plant was \$12,278. The net plant on that date was \$4,376. There were no recorded main extension contracts, contributions in aid of construction, or customer deposits on the utility's books on that date.

Sellers' 1982 annual report shows gross revenues of \$6,186 and net revenues of \$938. Buyer's financial statement shows an annual income in excess of \$53,000 and expenditures of approximately \$25,000. Buyer has real estate holdings which he estimates have a value of \$357,000 and liabilities associated with those assets of \$86,000.

Buyer proposes to adopt sellers' rates.

By letter dated October 10, 1983 (Exhibit 1) applicants state that customer deposits will be refunded by buyer when due, there are no main extension advances applicable to the system, the system is in good condition, and any installations will be made in compliance with General Order Series 103.

Sellers do not want to continue to operate their water system. Buyer states he operates three water systems near the system he proposes to purchase. Buyer, an electrical contractor, believes it would be advantageous to purchase this system and to operate it together with the Buhl Water Company (Buhl),^{1/} a public utility, located near Visalia.

Notice of the proposed sale was published in the Porterville Recorder on October 20, 1983. Customers were requested to notify the staff of any objections to the proposed transfer. There were no protests.

Discussion

Buyer has the ability, experience, and financial resources needed to operate the water system he proposes to acquire. The transfer should be authorized. Buyer should record the difference between the \$5,000 purchase price and depreciated utility plant in Account 100.5, Water Plant Acquisition Adjustments, as defined in the Uniform Systems of Accounts for Class D Water Utilities. The terms of the escrow agreement attached to the application to transfer the utility property are reasonable.

1/ Buhl's 1982 annual report states that a partnership of Roy Cawthray and Dixie Schiep own Buhl. Decision 65780 dated July 30, 1963 in Application 45348 authorized the transfer of the Buhl system to Martin Buhl and Leona T. Buhl. No subsequent transfer has been authorized by the Commission.

Sellers should submit an annual report from January 1, 1984 to the date of transfer within 15 days after the date of transfer.

If buyer has acquired public utility water system(s) absent Commission approval for such acquisition(s), he and/or his partner should promptly file an application(s) requesting authority for such transfers or sales.

Sellers will be required to pay a 1½% user fee on water revenues received in 1984 up to the date of transfer.

Findings of Fact

1. Sellers request authorization to sell and transfer the PGW water system to buyer for \$5,000. They further request that they be relieved of their public utility water system obligations.

2. Buyer proposes to serve all customers on the system at sellers' present rates.

3. Sellers' customers were notified by publication of the proposed transfer. There were no protests.

4. Buyer has agreed to assume sellers' obligation to refund customer deposits when due. There are no outstanding advances for construction related to the system being transferred.

5. The purchase price of \$5,000 is greater than the depreciated utility plant assets.

Conclusions of Law

1. The proposed transfer and sale would not be adverse to the public interest. The terms of the escrow agreement to transfer the utility plant are reasonable.

2. As a condition of this grant of authority, buyer should assume the public utility obligations of seller, should assume liability for refunds of all existing customer deposits, and should notify the affected customers.

3. Within 10 days after transfer buyer should write the Commission, stating the date of transfer and the date of the requirements in Conclusion of Law 2 were completed.

4. On the transfer date buyer should either file a statement adopting seller's tariffs or refile those tariffs under his own name as prescribed in General Order Series 96. Those rates should be effective on the date of filing. Rates should not be increased unless authorized by this Commission.

5. Before the transfer occurs, seller should deliver to buyer, and buyer should keep, all records of the construction and operation of the water system.

6. Within 90 days after actual transfer buyer should file, in proper form, an annual report on seller's operations from the first day of the current year through date of transfer. Buyer should be liable for user fees on the operating revenues contained in that annual report.

7. Upon consummation of the transfer sellers should be relieved of their public utility obligations.

8. The difference between the \$5,000 purchase price and the depreciated utility plant asset value should be recorded in Account 100.5, Water Plant Acquisition Adjustments.

9. A public hearing is not necessary.

10. The order should be made effective today to relieve sellers of their public utility obligations and to permit operation of the system by an individual with the capability of operating it and of making needed system repairs and improvements.

O R D E R

IT IS ORDERED that:

1. Maurice M. Green and Bernice F. Green (sellers) are authorized to transfer and sell the utility plant of the Pleasant Grove Water Co. to Roy Cawthray (buyer) for \$5,000. This authorization is contingent on the compliance of buyer and sellers with the requirements of Conclusion of Law 5 and upon the compliance of buyer with the requirements of Conclusions of Law 2, 3, 4, 6, and 8.

2. Sellers shall be relieved of their public utility obligations on the transfer date.

This order is effective today.

Dated MAR 7 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

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