

Decision 88 02 041

FEB 24 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Phyllis A. Manica and Gayle M.)
 Dunbar, doing business as Grove)
 Water Service, for an Ex Parte)
 hearing and an order authorizing)
 them to transfer the water utility)
 and the Application of Grove Water)
 Service, Inc., a corporation, for)
 an order authorizing it to issue)
 stock in exchange for the water)
 utility.)

ORIGINAL

Application 87-08-014
(Filed August 7, 1987)

OPINION

This is an application in which Phyllis A. Manica and Gayle M. Dunbar (Partners), equal partners and owners of Grove Water Service (GWS), request authority to transfer the capital assets of GWS to Grove Water Service, Inc. (Corporation). Corporation seeks authority to issue 100 shares of common stock in exchange for the capital assets of GWS.

Notice of the filing of the application appeared in the Commission's Daily Calendar on August 13, 1987. There are no protests.

The Commission makes the following findings and conclusions.

Findings of Fact

1. Partners own the operating authority and assets of GWS which is a water corporation, as defined in Public Utilities (PU) Code § 241, subject to jurisdiction of the Commission.
2. Corporation is a newly formed California corporation which was incorporated on January 2, 1987. Its articles of incorporation authorize it to issue 10,000 shares of one-class common stock.

3. GWS serves an area in Walnut Grove, Sacramento County, California, consisting of about 20 acres subdivided into 150 lots. Seven of the lots are undeveloped, with 143 customers served consisting of 85 flat rate and 58 metered services.

4. The GWS system consists of two eight-inch diameter wells approximately 120 feet deep, two hydropneumatic tanks with a combined capacity of 10,000 gallons, five centrifugal pumps, and 15,226 feet of water mains ranging in size from two to six inches in diameter.

5. A review of complaints on file with the Commission indicates that GWS is rendering satisfactory service. There are no Commission orders requiring compliance or system improvements.

6. A public hearing is not necessary in this matter.

7. The Partners desire to transfer the assets of GWS to Corporation to secure their limitation of liability and other benefits which incorporation may entail.

8. It is proposed to have Corporation issue 100 shares of common stock equally to the two partners in exchange for the capital assets of GWS.

9. GWS' unaudited pro-forma balance sheet as of December 31, 1986, is as follows:

<u>Assets</u>		<u>Liabilities & Equity</u>	
Water Plant in Service	\$60,527	Stockholders Equity	\$31,932
Accumulated Depreciation	<u>33,431</u>		
Net Utility Plant	27,096		
Water Plant Acquisition		Current Liabilities	1,882
Adjustment	2,691		
Cash	264		
Accounts Receivable	<u>3,763</u>		
Total Assets	\$33,814	Total Equity and Liabilities	\$33,814

10. The application avers that Corporation will continue with the present management.

11. The proposed sale of GWS' assets and operating authority from Partners to Corporation is not adverse to the public interest.

12. It appears that Partners desire to maintain their equal interest in GWS by causing all of Corporation's 100 shares to be issued and divided equally between them as part of the transaction under consideration.

13. Requiring prior Commission approval for future transfers of the stock will prevent any secondary market problems.

14. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by them are required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

Conclusions of Law

1. The application should be granted.

2. The stock authorized to be issued by Corporation should be transferable only by order of the Commission.

This authorization is not a finding of the value of the rights and properties over which control is being acquired.

ORDER

IT IS ORDERED that:

1. On or before February 28, 1989, Phyllis A. Manica and Gayle M. Dunbar (Partners) may transfer the water system and assets of Grove Water Service (GWS) to Grove Water Service, Inc. (Corporation).

2. As a condition of this grant of authority, Grove Water Service, Inc. shall assume the public utility obligations of Phyllis A. Manica and Gayle M. Dunbar, shall assume liability for refunds of all existing customer deposits, and shall notify the affected customers.

3. Within 10 days after transfer Grove Water Service, Inc. shall write the Commission, stating the date of transfer and the date the requirements of Ordering Paragraph 2 were completed.

4. Grove Water Service, Inc. shall either adopt the tariffs of GWS or refile those tariffs under its own name as prescribed in General Order Series 96. Rates shall not increase unless authorized by the Commission.

5. Grove Water Service, Inc. shall keep and maintain all records of the construction and operation of the water system.

6. On or after the effective date of this order, but before February 28, 1989, for the purposes specified, Grove Water Service, Inc. may issue up to 100 shares of \$1 par value common stock to Phyllis A. Manica and Gayle M. Dunbar for \$31,932. As a condition for the authority to issue the stock, the shares shall be transferable only upon order of the Commission and each certificate issued shall contain this condition upon its face.

7. The authority granted by Ordering Paragraph 6 to issue stock will become effective when the issuer pays \$64 to the Commission, set by PU Code § 1904.1.

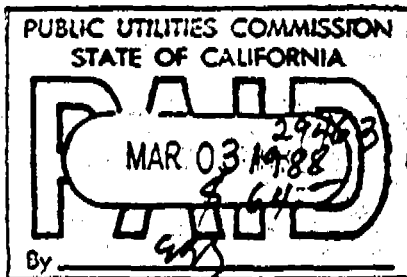
8. The application is granted as set forth above.

This order becomes effective 30 days from today.

Dated FEB 24 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
JOHN B. OHANIAN
Commissioners



Commissioner Frederick R. Duda, being necessarily absent, did not participate.

Commissioner G. Mitchell Wilk, being necessarily absent, did not participate.

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

Victor Weisser
Victor Weisser, Executive Director