

Decision 88 07 048 JUL 22 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA Mailed

Application of DAVID R. HEIN doing)
business as DAVID HEIN WATER)
COMPANY to sell and HERMAN A. TAEGE)
DEVELOPMENT, INC. to buy the water)
system in San Bernardino County.)

JUL 22 1988

Application 87-12-050
(Filed December 28, 1987)

OPINION

This is an application in which David R. Hein (Hein), doing business as Hein Water Company (Company) seeks authority to sell his public utility water system to Herman A. Taege Development, Inc. (Taege).

A report by the Water Utilities Branch was served on all parties on March 14, 1988. On May 27, 1988 a certificate of service was received which indicates that a copy of the application was mailed to each customer on March 1, 1988. There are no protests.

The Commission makes the following findings and conclusions.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Hein holds a certificate of public convenience and necessity to operate as a water corporation which was granted in Decision 54676 in Application 37628, dated March 26, 1957. The system presently serves three customers. Company is located approximately 4-1/2 miles generally northeast of Lucerne Valley, San Bernardino County. The legal description of its service area is as follows:

The north half of Section 32 (320 acres), and the northwest quarter of the southwest quarter of Section 32 (40 acres), all in Township 5 north, Range 1 East, S.B.B. & M.

The source of supply consists of one well located within the service area. The well is approximately 346 feet deep. The water level is estimated at about 90 feet. A 7-1/2 horsepower submersible pump delivers approximately 25 gpm into a 10,000-gallon storage tank from which a 10 horsepower booster pumps the water through a 3,000-gallon hydro-pneumatic tank to stabilize the water pressure between 25 to 50 psig before the water is fed into the distribution system. The existing water pipelines consist of 200 feet of 8-inch main, 2,600 feet of 6-inch main, 1,650 feet of 2-inch main, and 200 feet of 3/4-inch service lines - a total of 4,650 feet of pipelines. There are three fire hydrants located on Sunswept Drive.

3. Hein originally paid \$7,500 for the well site and pump in 1957. With the advent of large industrial projects such as the Kaiser Cement plant and the Santa Fe Railroad moving into Lucerne Valley, developers expected a need for housing development. The expected housing development never materialized and company has apparently operated at a loss since its inception. After operating company for 31 years, Hein, who is 73 years old, now wants to retire from the water business.

4. Herman A. Taege is president of Taege, which is a California corporation. He believes that the service area may someday develop and considered the purchase of the water system as an investment for future purposes. In addition to Mr. Taege's regular annual income of \$75,000 as a salesman for an insurance firm, he also owns various leasing corporations and a real estate business that yield an annual net income of \$177,000. Mr. Taege's net worth is estimated at over \$2,297,000. He does not have any experience in operating a water utility. He has stated that he

will keep the status of the utility as it is, presently, for 4-5 years and retain the present operator of the system.

5. Hein and Taege have entered into an agreement under which Hein will sell Company's operating authority, business, equipment, assets and real property to Taege for \$12,000, payable in four annual payments of \$3,000.

6. As of December 31, 1987, the original cost, less depreciation, of Company was \$4,674.

7. Since 1957 Company has had a tariff which provides for a schedule of metered rates. It has never applied these rates but utilized a \$30 per month flat rate. The customers and Water Utility Branch do not object to an order authorizing Taege to adopt a tariff providing for the \$30 monthly flat rate.

8. Company has no customer deposits or main extension advances.

9. Taege has the ability, including financial ability, to acquire and continue the operations of Company.

10. The proposed sale and transfer of Company from Hein to Taege is not adverse to the public interest.

11. Because the public interest would best be served by having the sale and transfer take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusions of Law

1. The application should be granted.

2. Taege should be authorized to file a tariff schedule providing for a \$30 monthly flat rate.

This authorization is not a finding of the value of the rights and properties to be transferred.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, David R. Hein (Hein) may transfer the water system and other assets designated in the application to Herman A. Taege Development, Inc. (Taege) in accordance with the terms set forth in the application.
2. Within 10 days after transfer Taege shall write the Commission, stating the date of transfer.
3. Taege shall either file a statement adopting Hein's tariffs or refile those tariffs under its own name as prescribed in General Order Series 96. Taege is authorized to file a tariff providing for a monthly flat rate of \$30 in lieu of presently authorized rates. Other than as provided herein, rates shall not be increased unless authorized by this Commission.
4. Before the transfer occurs, Hein shall deliver to Taege, and Taege shall keep, all records of the construction and operation of the water system.
5. Within 90 days after actual transfer Taege shall file, in proper form, an annual report on Hein's operations from the first day of the current year through date of transfer.
6. When this order has been complied with, Hein shall have no further obligations in connection with this water system.

7. The authority granted by this order shall expire on June 30, 1989, if it has not been exercised by that date.

This order is effective today.

Dated JUL 22 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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


Victor Weisner, Executive Director