

Decision 88 08 045 AUG 24 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CHARLES K. AND WINABETH I. SMITH, )  
doing business as the SIERRA CITY )  
WATER WORKS, for an Ex parte order )  
authorizing them to sell the utility, )  
and the Application of SIERRA CITY )  
WATER WORKS, a corporation, for an )  
order authorizing it to issue stock )  
for the purchase thereof. )

Application 88-03-050  
(Filed March 24, 1988)

OPINION

This is an application in which Charles K. Smith and Winabeth I. Smith (Smiths), doing business as Sierra City Water Works (Utility), seek authority to transfer the assets of utility to Sierra City Water Works, Inc. (Corporation). Corporation seeks authority to issue 1,000 shares of its no-par value common stock in connection with the proposed transfer.

Notice of the filing of the application was mailed to each of Smiths' customers on or before April 1, 1988. There were no protests. On May 6, 1988, the Commission's Water Utilities Branch (Branch) served a copy of its report on all interested parties. The report is designated as Exhibit 1. The time for comments on the report has passed and the matter is ready for decision.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. The Smiths own and operate a public utility water corporation, as defined in Public Utilities (PU) Code § 241, which they acquired by purchase pursuant to Decision (D.) 85-05-016, dated May 1, 1985.

3. Utility serves approximately 80 customers in the mountain community of Sierra City in Sierra County. The system's water supply is from springs located approximately 4,600 feet above sea level. The water is gravity fed from the springs to three 100 gallon filter tanks and then to a 5,000 gallon redwood storage tank. The system is served via approximately two miles of main ranging in size from one to six inches in diameter.

4. Corporation is a newly-formed California corporation, which was incorporated on January 6, 1988. Its Articles of Incorporation authorize the issuance of 1,000 shares of one-class capital stock.

5. The Smiths desire to transfer the assets of Utility to Corporation to secure their limitation of liability and other benefits which incorporation may entail. The Smiths propose to have Corporation issue the 1,000 shares of its capital stock to them in equal shares for Utility's assets.

6. It is reasonable to adopt the reconstructed balance sheet prepared by Branch for purposes of this decision, which is as follows:

**Balance Sheet**  
**(December 31, 1987)**

<u>Assets</u>		<u>Equity/Liabilities</u>	
Water Plant in Service	\$45,766	Proprietary Capital	\$43,468
Accumulated Depreciation	2,732		
Materials and Supplies	<u>434</u>		<u>          </u>
Total Assets	\$43,468	Total Equity/Liabilities	\$43,468

**Income Statement**  
**(January 1, Thru December 31, 1987)**

Operating Revenue	\$5,832
Operating Expenses	
Employee Labor	\$2,000
Transportation Expense	1,011
Office Salaries	300
Management Salaries	2,000
Office Service and Rental	300
Office Supplies and Expense	138
Professional Services	183
Regulatory Commission Expense	126
General Expenses	<u>177</u>
Total Operating Expenses	\$6,235
Depreciation Expense	839
Taxes Other Than Income	308
Income Taxes	<u>-</u>
Total Operating Revenue	
Deductions	\$7,382
Utility Operating Income	(\$1,550)

7. The application avers that Corporation will continue Utility's operations with the present management and it will adopt the tariffs presently on file with the Commission.

8. The proposed sale of Utility's assets and operating authority from Smiths to Corporation is not adverse to the public interest.

9. 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.

10. Because the ensuing decision primarily affects the parties in this proceeding, it should be made effective on the date of signature.

Conclusion of Law

The application should be granted.

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 July 31, 1989, Charles K. Smith and Winabeth J. Smith (Smiths) may transfer the water system and assets designated in the application to Sierra City Water Works, Inc. (Corporation).
2. As a condition of this grant of authority, Corporation shall assume the public utility obligations of Smiths, shall assume liability for refunds of all existing customer deposits, and shall notify the affected customers.
3. Within 10 days after transfer, Corporation shall write the Commission, stating the date of transfer and the date the requirements of paragraph 2 were completed.
4. Corporation shall either file a statement adopting Smiths' tariffs or refile those tariffs under its own name as prescribed in General Order Series 96. Rates shall not be increased unless authorized by this Commission.
5. Before the transfer occurs, Smiths shall deliver to Corporation, and Corporation shall keep, all records of the construction and operation of the water system.
6. When Ordering Paragraphs 1, 2, 3, 4, and 5 of this order have been complied with, Smiths shall have no further obligations in connection with this water system.
7. On or after the effective date of this order, but before July 31, 1989, for the purposes specified, Corporation may issue up to 1,000 shares no par value of common stock to Smiths for \$43,468, found to be the asset value for purposes of this proceeding.

8. The authority granted by Ordering Paragraph 7 to issue stock will become effective when the issuer pays \$88, set by PU Code § 1904.1.

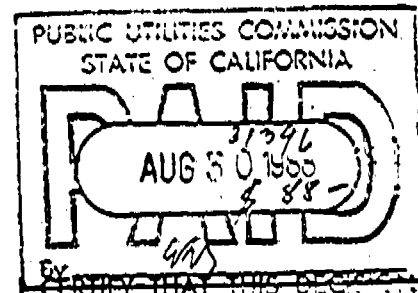
9. The authority granted in Ordering Paragraphs 1 and 7 shall expire on July 31, 1989 unless it is exercised by that date.

Except for Ordering Paragraph 8, this order is effective today.

Dated AUG 24 1988, at San Francisco, California.

STANLEY W. HULETT  
President

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



By [Signature]  
CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

[Signature]  
Victor Weisser, Executive Director