

Decision 90 06 052 JUN 20 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

GRAND OAKS LAND COMPANY, owners of)
Grand Oaks Water Co, to sell and)
Dr. Brit O. Smith and Philip L.)
Shirley to buy the water system)
in Kern County.)

Application 89-11-005
(Filed November 6, 1989)

OPINION

Grand Oaks Water Company (GOWC) serves 38 customers in Grand Oaks Estates near Tehachapi. Its certificate was granted by Decision (D.) 62519 on April 16, 1963.

The original cost of the system was \$48,177; there is now a depreciation reserve of \$21,623.

Grand Oaks Land Company (seller) owns all GOWC stock. It proposes to sell the GOWC stock to Brit O. Smith and Philip L. Shirley. The selling price is the original cost. An amount equal to the depreciation reserve in cash and money market funds will be retained by the corporation.

Seller desires to dispose of the system because buyers are also purchasing 250 acres of undeveloped land within the service area. Buyers plan to develop this land, expanding the water system to serve the development.

Buyers have employed an experienced water system operator to operate and expand the system.

Buyers do not plan any change in tariffs, other than in the provisions governing dedicated service area. A written notice was sent to consumers, and no protests or adverse comments have been received. The Commission has received a letter from the Department of Environmental Health Services of Kern County indicating that it does not oppose the sale, subject to conditions proposed in a report from the Water Utilities Branch (Branch).

That report, prepared and circulated by the Branch on March 26, 1990, recommends that GOWC develop a second source of supply, as required by General Order (GO) 103; it therefore proposes that GOWC should submit proof that it has an additional well in operation and that the system should receive a new permit from County authorities prior to consummation of sale. Subsequent to receipt of the report, GOWC advised the Commission that the well was dug and is ready for service.

The report also proposed that GOWC not be authorized to connect new customers until the Commission authorizes such expansion, based on a showing that GOWC has acquired additional water supply adequate to serve additional customers.

Finally, Branch recommended that GOWC be required to have its system operated by a person holding a certificate as a water treatment plant operator. This requirement was not supported by County or applicant. We will not include such a requirement in this order. However, we place the corporation on notice that it will be expected to comply with Health and Safety Code § 4208 which provides for regulation of qualifications of water system operators by the California Department of Health.

Finding of Fact

The proposed sale of the stock of GOWC to buyers will not be adverse to the public interest if:

- a. A new well is developed, to bring GOWC into conformity with GO 103 and County health requirements before transfer.
- b. GOWC is prohibited from adding new customers without a showing that it will have adequate supplies.

Conclusion of Law

The sale should be authorized with conditions.

The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of

the value of the utility's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

O R D E R

IT IS ORDERED that:

1. Grand Oaks Land Company is authorized to sell and Brit O. Smith and Philip L. Shirley are authorized to purchase the stock of Grand Oaks Water Company (GOWC) (U-290W). This authority shall expire if not exercised within one year of the signing hereof.
2. The sale shall not be consummated until GOWC has in operation a new well satisfying the requirement of GO 103 and approved by Kern County Department of Environmental Health Services. GOWC shall give notice of completion of this requirement by filing the original and 12 copies of a report with the Docket Office in this application. In this or in a subsequent filing GOWC shall provide a copy of the executed transfer document for the stock.
3. GOWC shall not serve any additional customers without an order from the Commission authorizing such expansion.

4. This order grants the application subject to requirements in Ordering Paragraph 2.

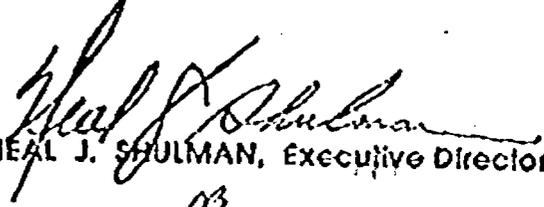
Except as provided in Ordering Paragraph 2, supra, this order becomes effective 30 days from today.

Dated JUN 20 1990, at San Francisco, California.

FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

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


NEAL J. SHULMAN, Executive Director