

Mailed

Decision 91-07-027 July 24, 1991

JUL 25 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Kernville Domestic
Water Company (U 295W) and Squirrel
Mountain Water Company (U 306W)
for an Ex Parte Order authorizing
the acquisition of certain assets
of Squirrel Mountain Water Company
by Kernville Domestic Water Company.

ORIGINAL

Application 91-05-028
(Filed May 13, 1991)

O P I N I O N

Kernville Domestic Water Company, a California corporation, (Kernville) seeks to acquire certain assets of Squirrel Mountain Water Company, a California corporation, (Squirrel Mountain) and assume the obligation to serve Squirrel Mountain's customers. Squirrel Mountain will cease public utility operations. Kernville provides water service to approximately 570 customers in the City of Kernville, in Kern County. Squirrel Mountain operates a water system in and around the area of Squirrel Mountain, California. The system now serves approximately 360 customers.

Kernville, Squirrel Mountain, and Gerard A. Trudell, president and sole shareholder of Squirrel Mountain, have recently entered into an Asset Acquisition Agreement and Plan of Reorganization, dated February 5, 1991 (the Acquisition Agreement). Pursuant to the Acquisition Agreement, as consideration for the sale and transfer to Kernville of those assets of Squirrel Mountain described in Section 1.2 of the Acquisition Agreement, Kernville will pay to Squirrel Mountain \$206,000.

Kernville and Squirrel Mountain assert that:

- a. The proposed transaction is in the best interests of Squirrel Mountain's customers because Kernville is capable of financing all future improvements that may be necessary to upgrade Squirrel Mountain's

system. Kernville will also provide the necessary personnel to operate and maintain the Squirrel Mountain system, and thereby provide timely responses to customer complaints and necessary materials and personnel for emergency repairs.

- b. Gerald Trudell, the sole shareholder and president of Squirrel Mountain, wishes to be relieved of the responsibility of operating a public utility water system that, as currently operated, is not capable of earning a reasonable return or providing economical water service at its present water rates.
- c. No change in rates is being sought.

Accordingly, applicants request the Commission to approve this application on an expedited basis so that the ownership and operation of the Company may be transferred to Kernville as quickly as possible.

The Commission Advisory and Compliance Division (CACD) has reviewed the application and has recently completed work on a general rate resolution for Squirrel Mountain. CACD is aware that improvements are needed to Squirrel Mountain's plant. In CACD's opinion, the long-term solution to Squirrel Mountain's service and supply problem is consolidation with a larger utility with the financial resources to make the investment needed. CACD has assisted both parties to this application and recommends approval.

Findings of Fact

1. Notice of the filing of the application appeared in the Daily Calendar on May 17, 1991. No protests have been filed. A hearing is not necessary.
2. Improvements are needed in the Squirrel Mountain water system to adequately serve its customers. Kernville has the ability to make the needed investment.
3. The transfer is in the public interest.

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

Conclusions of Law

1. The application should be approved.
2. Squirrel Mountain should be relieved of its obligation to serve and its certificate of public convenience and necessity should be revoked.

ORDER

IT IS ORDERED that:

1. On or before September 6, 1991, Squirrel Mountain Water Company (seller) may transfer the assets designated in the application to Kernville Domestic Water Company (buyer).
2. As a condition of this grant of authority, buyer shall assume the public utility obligations of seller, shall assume liability for refunds of all existing customer deposits, and shall notify the affected customers.
3. Within 10 days after transfer, buyer shall write the Commission, stating the date of transfer and the date the requirements of paragraph 2 were completed.
4. Buyer shall refile seller's 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, seller shall deliver to buyer, and buyer shall keep, all records of the construction and operation of the water system.
6. Within 90 days after actual transfer buyer shall file, in proper form, an annual report on seller's operations from the first day of the current year through date of transfer.

7. When this order has been complied with, seller shall have no further obligations in connection with this water system and its certificate of public convenience and necessity issued by D.68604 is revoked.

This order is effective today.

Dated July 24, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SCHULMAN, Executive Director
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