

Decision 91-09-019 September 6, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Joint application of Lake Forest Utility and Lake Forest Water Co. to transfer ownership of Lake Forest System.

Application 90-08-043 (Filed August 15, 1990)

O P I N I O N

Lake Forest Water Company (company or seller), a regulated public utility, requests authorization to sell and Lake Forest Utility (utility or buyer), a privately owned California corporation, requests authority to buy a water system located in Placer County. Utility has a sole shareholder, David Robertson. Company has two shareholders, David R. and Irene M. Rodarte McClure.

On October 29, 1990, company notified each customer by mail of this application. On August 23, 1990, notice of this application appeared on the Commission's Daily Calendar. No protests have been received.

On September 19 and 20, 1990, the Commission Water Branch (Branch) conducted a field investigation of the water system. On December 19, 1990, it issued a report which concludes that the transaction is in the public interest. Branch requests that utility be authorized to issue 9,000 shares of common stock at par value not to exceed \$10 per share to form utility. Applicants do not dispute Branch's recommendations.

This application requires no public hearing.

Based upon the application and Branch's report, we find that this transfer and issuance of stock is in the public interest and should be approved under Sections 816 through 818 and 851 through 854 of the Public Utilities (PU) Code.

Findings of Fact

1. Utility requests authority to purchase from company a water system located in Placer County which serves 134 customers. The company's facilities are an intake line from Lake Tahoe, a spring, a 100,000 gallon redwood storage tank, and a distribution system of six-inch mains.

2. The owners of the company, Rodarte McClure, wish to sell because other commitments make it impossible to operate the water system.

3. Robertson, the buyer's sole shareholder, owns and operates Tahoe Park Water System, another public utility. Robertson is familiar with the company. He installed the company's lake pump in 1990. Therefore, Robertson has adequate expertise to operate the company. Robertson desires to purchase the company as an investment and to make his present utility operations more cost effective.

4. The joint applicants entered into a purchase agreement on December 31, 1989. Utility agreed to pay a down payment of \$36,000 and the remainder of the sale price of \$89,656 on January 1, 1990. These terms have been met. Therefore, there are no encumbrances on the utility's property as a result of this sale. The net book value of the company recorded in its 1989 annual report of December 31, 1989 is \$52,049, which is a total of \$72,471 plant in service less \$20,422 in accumulated depreciation. The utility understands and agrees that it is allowed to earn a rate of return on the net book value of the utility, not the purchase price.

5. The California Department of Health Services has inspected the water system and found significant defects and deficiencies in the plant. The utility has applied for a Safe Drinking Water Bond Act loan to make necessary repairs to the system. Branch believes this loan will be approved because Robertson has received a similar loan for Tahoe Park Water System.

Tahoe Park Water System is in good condition and provides good service.

6. Branch inspected the water system and confirmed its deficiencies. Branch recommends that the transfer of ownership be granted and that the utility be authorized to issue 9,000 shares of common stock to form utility.

7. The utility will adopt the existing company rates. Therefore, the rates are not affected by granting this application.

8. Company's customers were individually notified of this application by mail. No protests have been received. Therefore, no public hearing is necessary.

Conclusions of Law

1. The application should be granted.

2. Utility should be authorized to issue 9,000 shares of its common stock to form utility.

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

4. The following order will be effective on the date of signature and payment of the fee set by PU Code § 1904.1 to enable utility to proceed with its financings expeditiously.

5. The proposed issuance of stock would be for proper purposes.

6. The money, property, or labor to be procured, or paid, by the proposed issuance of stock is reasonably required for the purposes specified in the application.

ORDER

IT IS ORDERED that:

1. Within 90 days from the effective date of this order, Lake Forest Utility (utility or buyer) may acquire Lake Forest Water Company (company or seller) and the other related assets designated in the application.

2. As a condition of this grant of authority, buyer shall assume seller's public utility obligations and 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 either file a statement adopting seller's 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, 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. By the 31st of March of each year, buyer shall file, in proper form, an annual report on the utility's prior year's operations.

8. When this order has been complied with, seller shall have no further obligations in connection with this water system.

9. Buyer shall continue to use corporate identification number of U-0090W in connection with the authority issued in this proceeding. This number shall appear in the caption of all original pleadings and in the title of all pleadings filed with this Commission.

10. On or after the effective date of this order, but before December 31, 1991, for the purposes specified, buyer may issue up to 9,000 shares of common stock with par (stated) value of \$10 per share to form buyer.

11. The utility shall file the reports required by General Order 24.

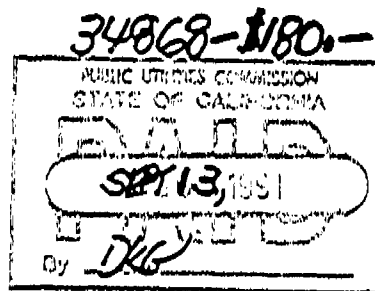
12. The authority granted by this order to issue stock will become effective when the issuer pays \$180, the fee set by PU Code § 1904.1. In all other respects this order is effective 30 days from today.

Dated September 6, 1991, at San Francisco, California.

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

I abstain.

/s/ G. MITCHELL WILK
Commissioner



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

- 5 - NEAL J. SHULMAN, Executive Director

Neal J. Shulman