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Decision 91-12-006 December 4, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Frances W. Talbot, doing business as )  
Warring Water Service, Inc., to sell )  
and Gary G. Pace to buy the water )  
system in Piru, Ventura County. )

**ORIGINAL**

Application 89-06-005  
(Filed June 5, 1989;  
amended July 25, 1990)

OPINION

This is an application in which Warring Water Service, Inc. (Warring), seeks authority to sell certain water rights to Frances G. Talbot (Talbot) and Michael Giddings (Giddings). Talbot also seeks authority to sell 50% of the outstanding shares of Warring to Gary G. Pace (Pace).

The application was filed on June 5, 1989. On August 12, 1989, the applicants requested that the Commission take no action on the application pending the decision in Application 88-10-042, an application by Warring for authority to transfer its River Irrigation System to Piru Mutual Water Company (Piru). Decision (D.) 89-12-032, dated December 18, 1989, authorized the transfer. On July 25, 1990, the applicants filed a first amended application in this proceeding. Notice of the filing of the application was sent to each Warring customer on September 19, 1990. There were no protests. Thereafter, the Commission Advisory and Compliance Division (CACD) conducted an investigation of the matters raised in the application. CACD prepared a report which was served on the parties. The report is designated as Exhibit 1. The report states that CACD has no objections to the granting of the application. The matter is now ready for decision.

The Commission makes the following findings and conclusions.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Warring is a water corporation, as defined in Public Utilities (PU) Code § 241, subject to the jurisdiction of the Commission.
3. Warring's system is located in the community of Piru which is approximately 30 miles east of the City of Ventura on State Route 126 in Ventura County. It furnishes potable water to 338 residential and commercial customers in Piru. This service is provided by a system of four to ten-inch asbestos-concrete mains fed from two 600 gallons per minute wells, a standby well, and a hillside reservoir holding 600,000 gallons.
4. The service area lies to the west of Piru Creek. It is located approximately three miles below the Santa Felicia Dam and Reservoir (Lake Piru) and one mile above the point where Piru Creek joins the Santa Clara River. The terrain is predominantly flat with a gentle down slope to the west. The northern portion of the area rises toward the foot of the hills to the north.
5. The River Irrigation System, which begins at a diversion dam on Piru Creek one-half mile upstream from the community, had been a part of Warring, but was sold to Piru.
6. In 1973, the California Department of Health Services (DHS), imposed a moratorium on future domestic water connections based on water quality which failed to meet state standards in total dissolved solids and sulfate concentrations. Warring has since installed chlorination apparatus at the two wells supplying domestic water. DHS now reports that the water quality meets present standards. A moratorium, however, is still in effect because there are locations on the system where fire hydrant pressures and flow rates are inadequate during periods of maximum demand. New service connections, therefore, must be approved by DHS after receipt of an engineer's certification that the

additional connection will not cause further degradation of the system's fire flow capability.

7. D.89-12-032 noted that there was a dispute over the amount of water Warring had the right to divert from Piru Creek. D.89-12-032 did not pass upon this issue.

8. Water diverted from Piru Creek was only used for the River Irrigation System. It was not useful or necessary for the operation of the domestic system which is the subject of this application.

9. The transfer from Warring to Talbot and Giddings of any rights Warring may have to divert water from Piru Creek would not be adverse to the public interest.

10. Warring has 1,381 outstanding shares of capital stock. Presently, Talbot and Giddings each own 50% of the outstanding shares of Warring. Talbot manages the water system. Giddings resides outside the state.

11. On May 22, 1991, the Commission issued Resolution No. W-3571 which adopted a historical cost for Warring of \$74,272, based on 50% of the original cost of the total domestic system of \$343,379 and an accumulated depreciation balance of \$194,836.

12. Talbot has entered into an agreement with Pace in which she agreed to sell all of her shares to Pace for \$74,272.

13. Pace proposes to pay the purchase price on credit. He will execute a note for the full purchase price to Talbot for \$74,272 at 8% interest with payments of \$6,958 per year.

14. Pace lives near Warring's service area. He has experience supervising contractors in laying sewer and water lines and in other plumbing work. Pace has completed a water treatment class for operation of chlorination facilities. He also attends meetings of the Association of Water Agencies of Ventura County and serves on the board of directors of the CBC Federal Credit Union.

15. Pace is employed by the Navy Department as a GM-13 System Accountant. He has been at the U.S. Navy facility at Port Hueneme

for the last 16 years and earns a salary of \$55,715 per year. Pace also owns an accounting service and tax preparation company which he operates on a part-time basis. In 1990, his earnings were \$12,200 from that activity. Pace's financial statement shows that he and his wife have an estimated net worth of about \$309,250, of which \$225,000 is equity value of their home.

16. Pace has the ability, including financial ability, to acquire control of Warring and continue its operations.

17. The proposed transfer of control of Warring by the sale of stock by Talbot to Pace is not adverse to the public interest.

Conclusion of Law

1. The application should be granted.
2. This authorization is not a finding of the value of the rights and properties to be transferred.
3. Because the public interest would best be served by having the transfer of control take place expeditiously, the ensuing order should be made effective on the date of issuance.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order Warring Water Service, Inc. (Warring) may sell and transfer to Frances G. Talbot (Talbot) and Michael Giddings (Giddings), in equal shares, any rights which Warring may have to divert water from Piru Creek for the price of \$100.
2. On or after the effective date of this order, Talbot may sell and transfer to Gary G. Pace (Pace) all of her 690 1/2 shares of capital stock of Warring, which constitute 50% of the outstanding shares of Warring's capital stock for \$74,272. Pace is authorized to execute a promissory note secured by a deed of trust on Pace's house for \$74,272 at 8% interest with payments of \$6,958 per year to pay the purchase price.

3. Within 30 days after the transfer of capital stock hereby authorized, Pace shall notify the Commission in writing of that fact.

4. The authority granted by this order shall expire on December 31, 1992, if it has not been exercised by that date.

This order is effective today.

Dated December 4, 1991, at San Francisco, California.

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

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

  
NEAL J. SHULMAN, Executive Director  
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