

ORIGINAL

Decision 82 08 015 AUG 4 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Darrell J. Beasley )  
and Ruth E. Beasley, doing business )  
as PHILLIPSVILLE WATER COMPANY to )  
sell and PHILLIPSVILLE MUTUAL )  
WATER ASSOCIATION to buy the water )  
system in Humboldt County. )  
\_\_\_\_\_ )

Application 82-06-05  
(Filed June 2, 1982)

O P I N I O N

This is a joint application of Darrell J. Beasley and Ruth E. Beasley (Beasley) doing business as Phillipsville Water Company to sell and transfer the water system serving the community of Phillipsville to the Phillipsville Mutual Water Association (Association).

The community of Phillipsville is located about 10 miles northeast of the City of Garberville in Humboldt County. The water system presently serves 67 customers located in and about the community of Phillipsville. In the application it is stated that the original cost of property being transferred is \$13,500 and that depreciation reserve is not available. However, attached to the application is a copy of Beasley's 1981 annual report to the Commission and it shows water plant in service in the amount of \$56,330 and a reserve for depreciation of \$12,096 as of December 31, 1981. The income statement of the water company for the year ending

December 31, 1981 shows total operating revenue of \$9,918, and total deductions from operating revenue of \$11,721 leaving a negative net income of \$963. The purchase price is \$15,000. The Association is to pay Beasley \$250 minimum per month with the balance of the purchase price to draw 9% interest per year. In the 1981 annual report filed by Beasley with the Commission reference is made to a \$10,000 note, payable to Ellen B. Murray. If that debt is still outstanding we assume Beasley and Association have taken it into account in reaching their terms of sale and the price.

The water system being sold consists of the following:

Two parcels of land approximately 9 acres and 3 acres;

One 18-inch well;

One 5-horsepower pump with a 90 gpm capacity;

One chlorinator;

Three reservoirs and tanks, total capacity 17,500 gallons;

Approximately 5,600 feet of pipe lines distribution and transmission lines.

67 installed meters;

Five fire hydrants; and

Miscellaneous materials and supplies.

Beasley states that he wishes to sell the system because of ill health and to retire. The Association seeks to acquire the system in order to assure continued availability of water to the community. The Association intends to hire or contract for experienced personnel as required.

According to the annual report Beasley was holding \$179 of customer deposits as of December 31, 1981. It is proposed that the customer deposit fund be transferred to the Association which will refund them when due. Beasley holds no main extension advances.

Notice of the filing of this application appeared in the Commission's Daily Calendar of June 4, 1982. Applicants notified the customers of the water company of this proposal. No protests have been received.

The water system's customers formed the Association for the purpose of acquiring and operating the Beasley water system. However, operation of the water system through an unincorporated association of customers has some limitations: the liability of association members is not as limited as if they were incorporated; it is not as clear where title to the transferred property will rest; and, tax questions could be more readily resolved if a nonprofit corporation had been formed. Other organizational structures are available to this customer group which would give them greater flexibility and feasibility of operating, maintaining, and financing additions to the water system. One possibility would be the formation of a "Nonprofit Mutual Benefit Corporation" under Corporations Code §§ 7110 et seq. The Association is urged to change to such an incorporated structure as soon as possible.

We will authorize the transfer to the Association. The Association is not an entity we will regulate as an investor-owned public utility because all the customers now served will have a proprietary stake in the water system, which is closely akin to the traditional mutual water company. The Phillippsville Water Company has been the subject of many proceedings before us relating to service. Transferring it to the Association is a constructive step toward improving accountability and service; it will put the system in control of those who need and use it.

Findings of Fact

1. Beasley wishes to sell and the Association wishes to purchase the Phillippsville water system under the terms set forth in the application.

2. No objections to the transfer have been received and a public hearing is not necessary.

3. It is in the public interest to authorize sale of the Phillippsville water system to the Association. ✓

4. The customer deposits held by Beasley will be transferred to the Association and the Association will be responsible for refund of those deposits when due.

5. Operation of the water system would be improved if the Association were to form a corporation.

Conclusions of Law

1. The sale and transfer of the Phillippsville water system, owned and operated by Beasley, to the Association should be authorized.

2. Upon completion of the sale and transfer Beasley should be relieved of any public utility obligation to the transferred system.

3. To expedite the transfer of the water system this order should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. On or before September 30, 1982, Darrell J. Beasley and Ruth E. Beasley may sell and transfer the water system and assets referred to in the application to Phillippsville Mutual Water Association (Association) according to the terms and conditions in the application.

2. The Association shall refund customer deposits when due.

3. Within 10 days after transfer Beasley shall write the Commission stating date of transfer and date when transferee began operating the water system. A copy of the transfer documents, if such documents were executed, shall be attached.

4. Upon compliance with this order Darrell J. Beasley and Ruth E. Beasley shall be relieved of their public utility obligation for the transferred system.

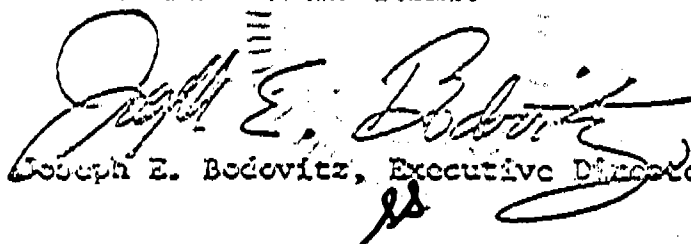
This order is effective today.

Dated AUG 4 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
COMMISSIONERS

Commissioner Richard D. Gravello, being necessarily absent, did not participate in the disposition of this proceeding.

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

  
Joseph E. Bodovitz, Executive Director

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