

Decision 83 10 017 OCT 5 - 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LITTLE BEAR WATER COMPANY, a California)
corporation, dba LITTLE BEAR WATER)
COMPANY, to sell and SIERRA VISTA)
PROPERTIES, INC., a California)
Corporation, to buy the sewer system)
in Pine Canyon area, near King City,)
Monterey County.)

Application 83-04-35
(Filed April 13, 1983)

In the Matter of the Application of)
LITTLE BEAR WATER COMPANY, INC., a)
California Corporation, to sell and)
SIERRA VISTA PROPERTIES, INC., a)
California Corporation to buy the water)
system in Pine Canyon area, near)
King City, Monterey County.)

Application 83-04-36
(Filed April 13, 1983)

Joseph A. LaMantia, Attorney at Law, for
applicants.
Ernst G. Knolle, for the Commission
staff.

O P I N I O N

Clifford D. Hall and Dorothy M. Hall, husband and Wife,
Michael A. Hall, and Patricia M. McCoy (sellers),¹ the owners of
all of the outstanding shares of Little Bear Water Company, Inc.
(Little Bear), seek authorization to sell their shares and transfer
the public utility water and sewer systems to Sierra Vista
Properties, Inc. (Sierra Vista) under Public Utilities (PU) Code
§ 851.

¹ Clifford and Dorothy Hall own 84.1% and their children Michael Hall and
Patricia McCoy own 15.9% of the outstanding shares of Little Bear.

Little Bear provides public utility water and sewer service to a 1,400 acre area outside King City, Monterey County. The certificate of public convenience and necessity (CPCN) to provide water service was granted by Decision (D.) 66402 dated December 3, 1963. The sewer system's CPCN was granted by D.83902 dated December 30, 1974. ✓

The water system consists of approximately three acres of realty, two deep wells, one 110,000-gallon concrete-lined reservoir, five storage tanks with 110,000-gallon capacity, approximately 35,400-feet of mains, 19 fire hydrants and one building. There are 262 metered customers.

The sewer system consists of approximately 8.5 acres of realty, three treatment ponds with an aeration system, and 5,000 feet of sewer mains. Total capacity is 4.5 million gallons. There are 76 service connections.

In 1979 Little Bear filed Application (A.) 59128 to transfer the sewer system to Sierra Vista. At that time Sierra Vista stated it desired to obtain the system for the development of a mobile home park. D.91903 dated June 17, 1980 dismissed the application at the request of applicant.

By A.60866 filed August 31, 1981, Little Bear requested authority to transfer both the water and the sewer system to Sierra Vista. D.83-03-036 dated March 16, 1983 dismissed this application for failure to respond to repeated staff letters and telephone requests for clarification of discrepancies in the application. The current applications were filed April 13, 1983.

Clifford Hall's retirement from business is the stated reason for selling Little Bear. The application states that Sierra Vista wishes to acquire the systems to develop a mobile home park and other neighboring real property. None of Sierra Vista principals has any experience in the operation of a public utility water or sewer system.

The terms and conditions of the proposed sale are set forth in an "Option to Purchase Outstanding Shares" entered into between Little Bear and Sierra Vista on September 15, 1980, an executed copy of which is attached to the application as Exhibit A. The purchase price specified in the agreement is \$171,000 reduced by the amount outstanding on promissory notes issued by Little Bear in favor of the Halls, the amount to be determined as of the date the option is exercised. Terms of the purchase are \$10,000 down, the balance secured by the Sierra Vistas' promissory note in favor of the Halls. Interest on the unpaid balance is 10% per annum, payable quarterly, commencing on the first day of the 4th month after close of escrow. Principal payments in the amount of \$2,000 each are payable quarterly with the first principal payment due with the first principal payment due with the first quarterly interest payment of the second year.

Upon transfer, Sierra Vista agrees to assume and perform all obligations under main extension agreements as of the close of escrow. Little Bear warrants that all payments due on extension advances have been paid on a current basis and none are overdue. Sierra Vista proposes to adopt presently filed tariffs of Little Bear.

Notice of the proposed transfer to Sierra Vista was published and mailed to all customers. Several customers wrote the Commission opposing the transfer. They alleged that the principals of Sierra Vista lack the experience and integrity to operate the systems. They also allege that Sierra Vista knowingly installed a sewer extension line designed to serve its proposed trailer park development too near the Little Bear water main, in disregard of public health. They state Sierra Vista agreed to move the sewer line only after unfriendly publicity and customer pressure.

Hearing on the applications was held July 5, 1983 in San Francisco.

The following documents were received into evidence at the hearing.

- Exhibit 1 - California Regional Quality Control Board-
Order No. 83-38.
Waste Discharge Requirements for Little
Bear Water Co.
- Exhibit 2 - California Regional Quality Control Board-
Order No. 83-39.
Waste Discharge Requirements for Sierra
Vista Properties, Inc; Little Bear Water
Co.
- Exhibit 3 - Letter from California Regional Quality
Board to Sierra Vista's counsel voicing
no objection to the transfer of Little
Bear Water System. ✓
- Exhibit 4 - Letter from the Soledad Branch of Bank of
America dated July 1, 1983 to the
Commission stating Sierra Vista's current
commercial accounts balances are
\$97,468.00.
- Exhibit 5 - Sierra Vista Properties' unaudited
balance sheet showing a net worth
\$1,147,468. ✓

Ernst G. Knolle testified on behalf of the Commission's hydraulic branch staff. He stated that he made a field trip to inspect the Little Bear systems and interviewed both the buyer and seller. He also reviewed past decisions and annual reports filed by Little Bear. As a result of his investigation Knolle stated the staff had no objection to the proposed transfer.

By letter dated July 13, 1983, counsel for Little Bear and Sierra Vista states that since 1981 Sierra Vista has made the following improvements to the Little Bear systems:

1. Replacement of approximately 1,200 feet of
6-inch water line in the upper Pine Canyon
area at a cost of approximately \$7,500.
2. Construction of two concrete water tanks of
25,000 gallon capacity each at a cost of
approximately \$20,000. ✓

3. Replacement and installation of a new pump in the water well system, as well as installation of a new back-up pump at a cost of approximately \$8,500. ✓
4. Installation of new water booster pump system in upper Pine Canyon area as well as installation of back-up pump system, at a cost of approximately \$3,500. ✓
5. Installation of new aerator system at the sewer plant at a cost of approximately \$11,000. ✓
6. Installation of approximately 25,000 feet of new effluent and sewer pipeline (6-, 8-, and 10-inch lines) as well as construction of two spray field holding ponds at a cost of approximately \$150,000.

He stated that labor for the improvements was provided by Albin Morisoli and Robert Harless, two of the principal shareholders of Sierra Vista.

With respect to the question of experience to run the water and sewer system, counsel stated that Harless has assisted Clifford Hall since 1978 in operating both the water and sewer systems, including occasional repairs. In addition valuable experience was gained while making the construction improvements mentioned above.

On July 13, 1983 the State of California, Department of Health Services, (Health Services) advised that the transfer of ownership requires the new owner to file for and obtain a water supply permit from Health Services. Since Sierra Vista has not yet filed an application for a water supply permit, Health Services requested that any approval to transfer ownership be conditioned on Sierra Vista obtaining a permit for the operation of Little Bear.

Findings of Fact

1. Little Bear provides water and sewer service to a 1,400 acre area outside King City, Monterey, County.
2. Clifford and Dorothy Hall, husband and wife, own 84.1% of the outstanding shares of Little Bear.

3. Two prior applications to transfer Little Bear to Sierra Vista were dismissed.

4. Little Bear's principal shareholder wishes to retire from the daily business operation of the utility.

5. The purchase price is \$171,000, less the amount due on a promissory note issued by Little Bear in favor of the Halls.

6. The California Regional Quality Control Board is not opposed to the transfer to Sierra Vista.

7. The Commission staff is not opposed to the transfer to Sierra Vista.

8. Sierra Vista has made considerable improvements to both the water and sewer system.

9. Sierra Vista needs Little Bear in order to provide water and sewer service to a proposed Mobile home park and other developments in the service area.

10. Sierra Vista has the financial means necessary to operate the Little Bear water and sewer systems.

11. The principals of Sierra Vista have the necessary experience to operate the water and sewer system.

12. Sierra Vista has not yet obtained a water supply permit from the California Department of Health Services to operate Little Bear.

Conclusion of Law

The proposed sale and transfer of Little Bear is not adverse to the public interest and should be granted.

Only the amount paid to the State for operative rights may be used in rate fixing. The state may grant any number of rights and may cancel or modify the monopoly feature of these rights at any time.

O R D E R

IT IS ORDERED that:

1. On or before October 15, 1983, Clifford D. Hall, Dorothy M. Hall, Michael A. Hall, and Patricia M. McCoy may sell and Sierra Vista Properties, Inc., may acquire all of the issued and outstanding common stock of Little Bear Water Company.

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, shall notify the affected customers, and shall obtain a water supply permit from the California Department of Health Services.

3. Within 10 days after transfer buyer shall write to the Commission, stating the date of transfer and the date the requirements of Ordering 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 and sewer systems.

6. Within 90 days after actual transfer buyer shall file, in proper form, an annual report on sellers' operations from the first day of the current year through date of transfer.

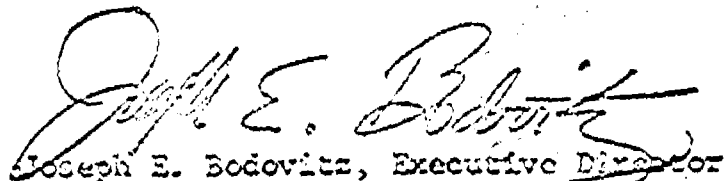
7. When this order has been complied with, seller shall have no further obligations in connection with this water system.

This order becomes effective 30 days from today.

Dated OCT 5 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Bodovitz, Executive Director

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4. Installation of new water booster pump system in upper Pine Canyon area as well as installation of back-up pump system, at a cost of approximately \$3,500.00.
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