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Decision 83 12 052 DEC 20 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application)  
of Angora Water Company, a California )  
corporation, Donald L. Martin and )  
Marjorie L. Martin, his wife, Gerald )  
E. Martin and Thelma V. Martin, his )  
wife, Stanley L. Martin and Louise A. )  
Martin, his wife, and the South Tahoe )  
Public Utility District, a public )  
corporation, for an order authorizing )  
owners to sell and transfer all of the )  
corporation's capital stock to the )  
District to dissolve Angora Water )  
Company and to distribute all of its )  
corporate assets to the District. )  
\_\_\_\_\_ )

Application 83-11-18  
(Filed November 8, 1983)

O P I N I O N

This is an application in which Angora Water Company (Angora), Donald L. Martin, Marjorie L. Martin, Gerald E. Martin, Thelma V. Martin, Stanley L. Martin, and Louise A. Martin, (hereinafter collectively referred to as Owners) seek authority for Owners to sell and transfer all of their capital stock in Angora to the South Tahoe Public Utility District (District). District also requests authority to dissolve Angora upon acquisition of said stock and to distribute the assets of Angora to District to be thereafter operated by the District as a part of District's water system. Authority for the transfer of stock is sought under Public Utilities (PU) Code § 854. Authority to dissolve the utility is sought under PU Code § 851.

Notice of the application was mailed to each Angora customer and published in the Tahoe Tribune on November 11, 1983.

Letters supporting the application were received from the fire chiefs of the City of South Lake Tahoe and the Lake Valley Fire District. One customer sent an extensive letter opposing the application. Another customer forwarded his copy of the notice to the Commission with "we object!" thereon. No reason for the objection was stated.

The Commission makes the following findings and conclusion.

Findings of Facts

1. A public hearing is not necessary in this matter.
  2. Angora is a California corporation which has operated a public utility water system in portions of the City of South Lake Tahoe and surrounding vicinity in El Dorado County, California, since 1960. Angora's principal place of business is located in the City of South Lake Tahoe. Angora presently provides water service to 1,800 residential and to 85 private commercial customers.
  3. Angora's certificated service area lies entirely within the boundaries of District.
  4. The 1982 Annual Report of Angora as of December 31, 1982, shows water plant in service in the amount of \$1,942,660, reserves for depreciation of utility plant of \$812,685, and advances for construction in the amount of \$122,971.
  5. District is a public utility district organized under California law. District's principal place of business is located in the City of South Lake Tahoe. District is currently providing water service to approximately 8,000 water customers and 15,000 sewer customers.
  6. There are 165,942 shares of capital stock of Angora presently outstanding. All of such shares belong to Owners.
- A copy of the proposed Agreement for Sale and Purchase of the Stock of Angora dated November 3, 1983 between Owners and District is attached to the application as Exhibit A. Under the Agreement, the gross purchase price for the stock of the utility is \$1,851,816. Simultaneous with conveyance of the stock to District, Owners agree to purchase from District certain items of personal property belonging to the utility for \$98,816. Such items have a

total value on Angora's books of \$98,816. The specific items and the amounts to be paid totaling to \$98,816 are identified on Exhibit B to the Agreement. District also proposes to lease to Owners a warehouse in the City of South Lake Tahoe belonging to the utility which will not be needed by District to operate the Angora system for two years following the stock purchase. The lease will run for one year from the date transfer of stock occurs. Rental for the one year term is \$3,000. District will extend lease for an additional year at the same rent if Owners desire. All of the aforementioned personal property and the warehouse (for two years) are surplus to District's needs in connection with its proposed operation of the water system. After allowing for such simultaneous purchases and the one year leasing by the Owners, District will be credited with a total of \$101,816 on account of the gross purchase price. The net purchase price for the stock to be paid by District is \$1,750,000.

7. The net purchase price of \$1,750,000 will be paid by the District in monthly installments over a period of 24 years with interest on unpaid principal at 10.5% per year computed from the transfer date until the full purchase price is paid. A schedule of installment payments covering the 24 years is set forth in a Loan Amortization Schedule which is attached to the agreement. Under the schedule, payments for each of the first five years will be \$15,416.67 per month, increasing to \$16,583.33 per month during the 6th through 10th years, inclusive, then to \$18,250 per month during the 11th through 15th years, inclusive, then to \$18,833.33 per month during the 16th through 10th years, inclusive, and finally to \$19,511.67 during the last four years. The agreement requires District to provide Owners with an opinion of District legal counsel approving the legality of all proceedings for the purchase of the stock, confirming that all obligations of District under the agreement are continuing and that the interest component of the purchase price payments are exempt from all federal and state income

taxes. The agreement further provides that District may not prepay any portion of the purchase price. District may secure its payment obligations by a deposit in escrow; however, such escrow may not be established unless District receives a letter ruling from the Internal Revenue Service assuring that the escrow will not affect the tax exempt status of the interest components of the purchase price payments nor otherwise result in adverse tax consequences to Owners and such ruling is confirmed by the opinion of tax counsel for Owners.

8. No portion of the purchase price is being paid for contributed plant. Section 2.5 of the agreement provides that if plant in Angora's Account No. 265, "Contributions-in-Aid-of-Construction," is ever purchased by any private firm or corporation or purchased or taken by eminent domain by any public entity, the proceeds from the disposition of such plant must be held in trust by District for the benefit of the owners whose land is assessed to finance such plant. By incorporating Section 2.5 into the agreement, the parties intend to comply with the Commission's order of April 7, 1970, in Decision (D.) 77035 insofar as that Decision pertains to in-tract-water facilities financed by assessment bonds.

9. In Section 4.2 of the agreement, District agrees that it will continue to supply water to the customers of Angora that are being served on the transfer date to the best of its abilities, will comply with the conditions pertaining to water service set forth in any Commission order, and will supply water to additional connections within the Angora service area after such connections are legally made subject to reasonable and uniform rates, rules, and regulations.

10. The agreement provides that all gross income and revenue derived by District from the sale of water from the Angora Water system will constitute a trust fund in order to secure payment of the purchase price payments as set forth in the agreement and that the sums required to make such payments shall be a lien upon such revenues.

The agreement contains numerous other provisions and covenants that are customary and usual in a stock sale. Owners' covenant that Angora will make all necessary repairs to the water system prior to the transfer date in order to maintain the system in good working order.

11. Upon acquisition of the stock of Angora and dissolution of Angora, District will assume all outstanding obligations of the utility under main-extension agreements between Angora and others. As of December 31, 1982, the unpaid balance of all Angora's existing main-extension agreements was \$122,971.

Angora has established a trust account pursuant to D.78852 in Application (A.) 51517, dated June 22, 1971. The purpose of the trust account was to provide funds with which to assist in financing new improvements to the Angora system. As of December 31, 1982 the balance in the account was \$850. The application recites that any funds remaining in that account when acquired by District in connection with the dissolution of Angora will be spent by District only for new improvements to that portion of District's water system which serves the present customers of Angora.

12. Angora is not holding any deposits from customers and none is anticipated.

13. Applicants acknowledge that PU Code § 411 authorizes the Commission to fix an annual fee to be paid to the Commission by each regulated water utility and that the fee for 1983 has been set at 1.5% of all water revenues collected by each water utility for the year. Owners and District propose to transfer Owners' stock to the District on or before December 30, 1983; nonetheless, the parties intend to remit Angora's 1983 fee to the Commission as soon as Angora's books are closed.

14. It is the long-standing policy of District to acquire the public utility water companies which furnish water service within

District boundaries when the owners of such companies have expressed their desire to sell their systems to District. Under that policy and under authority of D.53291 in A.55073, dated August 6, 1974, District acquired all of the capital stock of Tahoe Southside Water Utility, thereafter dissolved that corporation and acquired and now operates all of the utility assets of that company. Similarly by D.85074 in A.56015, dated October 28, 1975, District acquired all of the capital stock of Tahoe Sierra Water Company, Inc., and similarly dissolved that corporation and acquired and presently operates all of its utility assets. By reason of such acquisitions, District has been providing water service to the public for approximately nine years. During that time, District has made substantial improvements to its water system.

15. District water rates are slightly higher than those currently being charged by Angora. It is anticipated that in December 1983, Angora will bill its customers at Angora's current rates for water service for the first half of 1984. The second half of 1984 will be billed at District's current rates which, for a residential flat-rate customer, represents an increase of \$8.06, i.e. 5.7% over Angora's present rates for all of 1984.

16. Applicants Donald L. Martin and Gerald E. Martin desire to retire. Each has recently undergone open-heart surgery. Stanley L. Martin, president of Angora, will succeed to the active management of the other business interests of his older brothers upon their retirement.

17. The obligation of the District to purchase Owners' Angora stock is subject to the passage of a District ordinance. On November 3, 1983, District passed its Ordinance No. 538 approving said agreement and authorizing its execution; the ordinance became effective without any public objection on December 4, 1983.

18. The notice, mailed by Angora to its customers, advised that the District proposes to purchase Angora and that the District's water rates are slightly higher than those of Angora. It further advised that water service to Angora customers for the second half of 1984 will be billed at the District's current rates and pointed out that a residential flat-rate customer would experience an increase of \$8.06, viz. 5.7%, for all of 1984. The notice stated that any objections to the proposed sale to the District must be made within 30 days. One customer sent an extensive letter opposing the application, which, in general, claimed the proposed acquisition of control would result in higher costs to consumers and that District is not a well run entity. Another customer forwarded his copy of the notice to the Commission with "we object!" thereon. No reason for the objection was stated.

19. District has the resources and experience to acquire and adequately operate the Angora water system as part of District's water system.

20. The proposed transfer of stock and dissolution of Angora would not be adverse to the public interest.

21. After the transfer of all Angora's stock to the District, dissolution of Angora, and distribution of its assets to District, public convenience and necessity will no longer require Angora Water Company to provide public water service to its service area.

22. The transfer of stock, corporate dissolution, and distribution of assets proposed in the Application will not have a significant effect upon the environment.

23. To enable the transfer to take place within the terms of District's ordinance of authorization, this decision should be made effective on the date of issuance.

Conclusion of Law

The application should be granted

O R D E R

IT IS ORDERED that:

1. On and after the effective date of this order Donald L. Martin, Marjorie L. Martin, Gerald E. Martin, Thelma V. Martin, Stanley L. Martin, and Louise A. Martin (Owners), may sell all of their stock in Angora Water Company (Angora) to the South Tahoe Public Utility District (District), in accordance with the agreement attached to the application as Exhibit A, and applicants are authorized to execute such agreement and to carry out the terms and conditions thereof.

2. Within 30 days of the transfer of shares hereby authorized, Owners shall notify the Commission in writing of that fact.

3. Within 30 days of the dissolution of Angora by the District and the distribution of the assets of Angora to District, District shall notify the Commission in writing of that fact and within such period shall file with the Commission a true copy of each instrument by which such dissolution and distribution have been accomplished. ✓

4. The foregoing authority is conditioned upon District's assuming liability for all refunds under main extension agreements between Angora and others existing on the date District causes Angora to be dissolved; District shall provide the Commission with satisfactory proof of such assumptions within 30 days of the dissolution of Angora.



5. Upon compliance with all of the conditions of this order, including the payment of the fee provided for in PU Code § 411 for year 1983, Angora shall stand relieved of its public utility obligations and may discontinue service concurrent with the commencement of service by District as contemplated in the agreement between the parties.

This order is effective today.

Dated DEC 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO

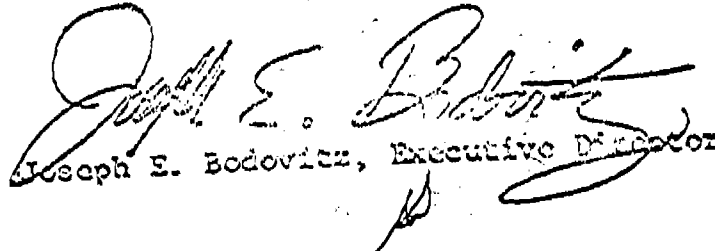
FRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

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

  
Joseph E. Bodovitz, Executive Director

O R D E R

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