

Decision No. 87243

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application }
of LEE F. HUCHINGSON AND NINA M. }
HUCHINGSON for Authority to Con- }
trol Lindale Water Company, Inc. }

Application No. 56718
(Filed August 30, 1976)

Lee F. Huchingson and Wayland D. George, for
Lindale Water Co., Inc., applicant.
Cleo D. Allen, for the Commission staff.

O P I N I O N

By this application, Lee F. and Nina M. Huchingson, (purchasers), husband and wife, seek authority under Section 854 of the Public Utilities Code to acquire control of the Lindale Water Co., Inc. by purchasing all of the outstanding stock of the utility, which consists of 600 shares of capital stock with a par value of \$100 per share, from the Henry K. and Wayland D. George families (sellers) for \$224,000.

Public hearing was held before Examiner Arthur M. Mooney in Porterville on February 17, 1977, on which date the matter was submitted. Statements were made by all appearances. A report presented by the Commission staff is received in evidence as Exhibit 1. The staff had no objection to the purchasers as owners and operators of the water system but did have some questions regarding the terms and conditions of the sale which were satisfactorily answered by Mr. Huchingson. We are of the opinion that the application should be granted.

Findings

1. The utility was granted a certificate of public convenience and necessity by Decision No. 57024 dated July 22, 1958 in Application No. 40030. It was authorized to incorporate by Decision No. 71542 dated November 9, 1966 in Application No. 48865. It serves approximately 775 flat rate residential connections, 6 metered irrigation connections, and 32 fire hydrants in and near Tract 264 which is located approximately 2 miles northwest of Porterville. It obtains its water from 6 wells and has 3 hydro-pneumatic tanks with a storage capacity of 19,000 gallons.

2. A notice of the proposed transfer of the utility ownership was mailed to all customers on August 3, 1976. There has been no response to the Commission from any customer objecting to or commenting on the transfer.

3. The 1975 Annual Report of the utility shows that on December 31, 1975, the water plant in service was valued at \$209,840.53, including contributions in aid of construction of \$7,020.66 and advances for construction of \$31,882.26. The reserve for depreciation was \$60,629.49 leaving a net book value for ratemaking purposes of \$110,308.12. The report also shows that the utility had an operating loss of \$2,691.72 for the year 1975.

4. The purchase price of \$224,000 will be paid by purchasers as follows: \$50,000 down payment and a note for the balance of \$194,000, payable at \$1,854.00 per month with interest at the rate of 8 percent on the remaining balance.

5. The utility received a rate increase by the Advice Letter Rate Increase procedure effective September 1, 1975. With the rate increase, it had a net profit of \$2,000 for the year 1976, and the same profit is projected for the year 1977.

6. The utility plant is in good condition, and it provides satisfactory service to its customers.

7. Mr. Huchingson has been the president and manager of Lindale Water Co., Inc. since August 1, 1976, and prior thereto, he has had considerable experience in the operations of water systems for irrigation and in a management capacity in business.

8. Mr. Wayland D. George, the former president and manager of the utility, has agreed to assist the purchasers in the operations, including repairs and maintenance, of the system for a year or so. Purchasers are aware that the amount paid to sellers over and above the book value of the system shall not be considered as an expense in any future rate increase proceedings.

9. A new subdivision next to the utility's present system has been proposed. If it materializes, the utility will request authority to serve it, and it could add approximately 10 percent more customers to the system.

10. The proposed transfer and sale to purchasers by sellers of the outstanding stock of the Lindale Water Co., Inc. will not be adverse to the public interest.

11. Sellers desire to dispose of the system because two of the major stockholders wish to permanently retire and the other stockholders wish to devote full time to the family farming interest. Although purchasers now have other assets and income, they desire to acquire the system because they want additional income and a personal long-term business entity in the Porterville area.

Conclusion

The application should be granted.

The authorization granted shall not be construed as a finding of the value of the rights and properties authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. On or before June 30, 1977, Henry K., Blanche T., Wayland D., Joan S., Michael D., David L., and K. Diane George, the owners of all of the outstanding capital stock of the Lindale Water Co., Inc., may sell and transfer their interests in the water system and other assets referred to in the application to Lee F. and Nina M. Huchingson.

2. As a condition of this grant of authority, purchasers shall assume the public utility obligations of sellers within the area served by the water system being transferred and shall assume liability for refunds of all existing customer deposits and advances pertaining to the water system being transferred. Purchasers shall send notice of the assumption of liability for refunds to all customers affected.

3. Within ten days after completion of the transfer purchasers shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 2 of this order.

4. On or before the date of actual transfer, sellers shall deliver to purchasers, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

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5. Upon compliance with all of the terms and conditions of this order, sellers shall be relieved of their public utility obligations in connection with the water system transferred.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 26th day of APRIL, 1977.

Robert Bateman
President
William J. ...
Vernon ...
Gilbert D. ...

Commissioners