

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The Application of Fred J. Russell)
 for an order authorizing the sale)
 and transfer of all of the outstanding)
 stock of Mira Loma Water Co., a)
 California Public Utility, to Jurupa)
 Community Services District.)

Application No. 58143
(Filed June 14, 1978)

O P I N I O N

Fred J. Russell (Seller), owner of all the outstanding shares of stock of the Mira Loma Water Company (Mira Loma), a California corporation, requests authority under Sections 851 - 854 of the California Public Utilities Code to transfer control of Mira Loma to the Jurupa Community Services District (District) through the sale of all outstanding stock of Mira Loma to the District.

Mira Loma was granted a Certificate of Public Convenience and Necessity by Decision No. 54104, dated November 19, 1956, in Application No. 37512. Articles of Incorporation filed with Application No. 37512 provided for the issuance of 20,000 shares of stock, of which 1,990 shares were issued and are outstanding, and are held by the Seller. The filed annual report for 1977 shows that as of December 31, 1977, the utility plant in service was \$533,155 with a depreciation reserve of \$190,159 and a net book value of \$342,996. The utility has 58 metered services, 85 flat rate services, and 32 fire hydrant connections.

The District is a community services district organized and existing under the Community Services District Law, Division 3, Title 6, of the Government Code. It operates a water production, transmission, and distribution system. The service area of Mira Loma is entirely within the District's boundaries. The District desires to control Mira Loma in order that it may be the controlling purveyor for water service within its boundaries.

Counsel for the District has informed the Commission that it is the intention of the District to initiate and complete proceedings for the dissolution of Mira Loma and the cancellation of all of the outstanding shares of capital stock of Mira Loma as soon as the water distribution system and other assets of Mira Loma are distributed and transferred to the District. The District has absolutely no intention of either acquiring or holding the stock of Mira Loma for any purpose other than the immediate cancellation of all outstanding shares of capital stock. Moreover, counsel for the District also stated that if the Commission wishes to condition its order of consent in this matter so as to require the immediate cancellation of the stock in question, the District would have no objection.

The terms and conditions of the proposed sale are set forth in the written agreement attached to the application as Exhibit A. According to the agreement, the purchase price of the 1,990 shares of stock is to be \$670,000. Additional property owned by Mr. Russell personally consisting of two wells, pumps, buildings, an irrigation system and real property bring the total purchase price to \$830,000. Terms for payment are \$20,000 upon closing. The balance of \$810,000 plus interest at six percent per annum is payable for a 12-month period beginning August 1, 1978 at \$5,580 per month, and beginning August 1, 1979, \$9,580 per month until the entire sum and interest have been paid. The District may elect to pay the entire unpaid balance, with accrued interest, on any payment date.

The District agrees that Mira Loma will repay Seller \$25,000 in July 1978, without interest, on a demand note for money advanced by Seller to cover accounts payable up to and including the closing date.

Seller holds a main extension refund contract under which Mira Loma is obligated to pay to the Seller the balance of \$14,073. The District agrees that this sum shall be paid by Mira Loma to the Seller in full.

The application indicates that the District intends to operate Mira Loma using the tariffs presently filed with the Commission. When the transfer has been fully consummated, however, the jurisdiction of tariff matters would be vested in the District.

The District further agrees that Mira Loma's short-term notes to Bank of America National Trust and Savings Association in the amounts of \$90,000 and \$30,000 shall be paid in full by the District.

The original date contemplated for closing the transaction was June 30, 1978, but the parties, upon written agreement, may extend the closing to a date compatible with the effective date of an order from the Commission authorizing transfer of the stock.

The Finance Division and the Utilities Division of the Commission staff have reviewed the application and have concluded that the proposal is reasonable.

The Legal Division has reviewed the applicant's proposal and has advised the Commission that the District, in acquiring Mira Loma, would assume by law (Government Code Section 61626.6) the obligation to serve the utility's customers. According to the Legal Division, a political subdivision such as the District is prohibited by the California Constitution (Article 16, Section 6) from becoming a stockholder of a private corporation such as Mira Loma. The Legal Division further indicated that in order for the District to avoid violation of the California Constitution, the Commission should approve the sale and transfer to the District only on the condition that the District immediately dissolve Mira Loma upon acquisition.

After consideration the Commission finds that the proposed transfer would not be adverse to the public interest and that, upon consummation of the transfer, public convenience and necessity would no longer require the public utility water service herein considered.

There is no known opposition and no reason to delay granting the authority requested. A public hearing is not necessary. On the basis of the foregoing findings, we conclude that the application should be granted. Because of the time element, the effective date of this order shall be the earliest date permissible by law.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1979, Fred J. Russell may sell and transfer all of the outstanding capital stock of Mira Loma Water Company to Jurupa Community Services District, in accordance with the terms and conditions of the agreement attached to the application as Exhibit A.

2. Within 30 days after the consummation of the transfer authorized by Ordering Paragraph No. 1 hereof, Mira Loma Water Company shall notify the Commission in writing of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instruments of transfer which may be executed to effect said transfer.

3. The foregoing authority is conditioned upon Jurupa Community Services District assuming all liability for refunds of main extension advances and the seller returning to the customers refundable deposits made to establish credit, if any.

4. The foregoing authority is further conditioned upon Jurupa Community Services District's cancelling the stock of Mira Loma Water Company and dissolving the company immediately upon acquisition of said stock.

5. Upon completion of the sale and transfer authorized by this order and upon compliance with all the terms and conditions of this order, Mira Loma Water Company shall be relieved of its public utility obligations in connection with the water system transferred.

6. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 16th day of SEPTEMBER, 1978.

Robert Baticovich
President
William J. ...
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Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.