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Decision No. 89591 ! OCT 31 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 MARVIN B. JONES, individually and as )  
 trustee for HELEN FRANCES ROCCAFORTE, )  
 a partnership doing business as ELK )  
 GROVE WATER WORKS, for an order )  
 authorizing it to sell the utility, )  
 and the Application of ELK GROVE )  
 WATER WORKS, a corporation, for an )  
 order authorizing it to issue stock )  
 for the purchase thereof. )

Application No. 58350  
(Filed September 11, 1978)

O P I N I O N

By this application, Marvin B. Jones, individually and as trustee for Helen Frances Roccaforte, a partnership doing business as Elk Grove Water Works (partnership) seeks authority to sell and transfer utility assets to Elk Grove Water Works, a corporation, and the corporation proposes to issue 1,000 shares of no-par common stock.

The partnership operates a public utility water system in and adjacent to the unincorporated community of Elk Grove. As of December 31, 1977, the utility served 2,389 active service connections. The utility's balance sheet as of June 30, 1978 is summarized below:

<u>Assets</u>	
Current assets	\$ 19,277
Water plant less depreciation	<u>709,444</u>
Total	<u>\$728,721</u>
<u>Liabilities</u>	
Current liabilities	\$ 56,585
Advances for construction	428,022
Other deferred credits	671
Partnership capital	153,185
Contributions in aid of construction	<u>90,258</u>
Total	<u>\$728,721</u>

Elk Grove Water Works, a corporation, proposes to issue 1,000 shares of its no-par value common stock and to assume liabilities in exchange for the operating authority and related assets of the partnership. The partners desire to enter into the transaction to secure the advantage of limited liability and other benefits which incorporation may entail. No change in management is contemplated by the proposed incorporation. The partners would merely transfer their business to a corporation of which they would be the sole stockholders.

After consideration the Commission finds that:

1. The proposed transfer would not be adverse to the public interest.
2. The proposed stock issue is for a proper purpose.
3. The money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition and no reason to delay granting the relief requested. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

The action taken herein shall not be construed as a finding of the value of the rights and properties authorized to be transferred. In issuing this decision we place Elk Grove Water Works, a corporation, and its shareholders on notice that we do not regard the number of shares outstanding, the total par

value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or before March 31, 1979, Marvin B. Jones, individually and as trustee for Helen Frances Roccaforte, may sell and transfer the water system and related assets referred to in the application to Elk Grove Water Works, a corporation.

2. Elk Grove Water Works, a corporation, in acquiring said water system and related assets, may assume outstanding liabilities and issue not exceeding 1,000 shares of its no-par value common stock.

3. Elk Grove Water Works, a corporation, shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. As a condition of this grant of authority, transferee shall assume the public utility obligations of transferor 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. Transferee shall send notice of the assumption of liability for refunds to all customers affected.

5. Within ten days after completion of the transfer Elk Grove Water Works, a corporation, shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 4 of this order.

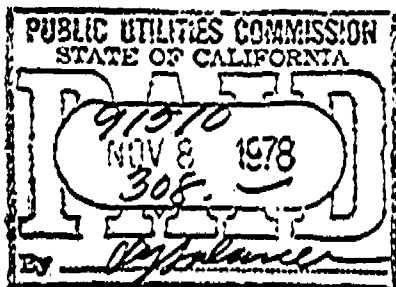
6. Elk Grove Water Works, a corporation, shall either file a statement adopting the tariffs of transferor now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order 96-A. No increase in rates shall be made unless authorized by this Commission.

7. On or before the actual date of transfer, Marvin B. Jones individually and as trustee for Helen Frances Roccaforte shall deliver to Elk Grove Water Works, a corporation, 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.

8. Upon compliance with all of the terms and conditions of this order, Marvin B. Jones and Helen Frances Roccaforte shall be relieved of their public utility obligations as partners in connection with the water system transferred.

9. The authority granted by this order to issue common stock will become effective when Elk Grove Water Works, a corporation, has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$308. In other respects the effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 31<sup>st</sup> day of OCTOBER, 1978.



Robert Bateman  
President  
William Gibson  
Veron L. Ferguson  
Stephen D. Swell  
Alvin T. Hedrick  
Commissioners