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Decision No. 90060 MAR 13 1979

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF ILLINOIS

ALFRED STANDLEY KORTH, and)
 LUCILLE ELIZABETH KORTH, a)
 Partnership, dba LUCERNE)
 WATER COMPANY to transfer all assets)
 and obligations to Lucerne Water Company)
 a corporation, and for the corporation)
 to issue stock.)

Application No. 58618
(Filed January 23, 1979)

O P I N I O N

Alfred S. Korth and Lucille E. Korth, a partnership doing business as Lucerne Water Company, seek authority to sell and transfer their utility business to Lucerne Water Company, a corporation, and the corporation proposes to issue 500 shares of \$100 par value capital stock in consideration therefor. Notice of the application appeared on the Commission's calendar of January 24, 1979.

The Korths operate a public utility water system in Lake County. As of December 31, 1977, the utility served 1,068 active service connections. The utility's balance sheet as of December 31, 1977 is summarized below:

<u>Assets</u>	
Net utility plant	\$245,064
Investments	8,204
Current assets	<u>15,328</u>
Total	<u>\$268,596</u>

<u>Liabilities and Net Worth</u>	
Partnership capital	\$105,465
Long-term debt	22,799
Current liabilities	15,317
Advances for construction	88,584
Contributions in aid of construction	<u>36,431</u>
Total	<u>\$268,596</u>

Lucerne Water Company proposes to issue 500 shares of its \$100 par value capital stock and to assume liabilities in exchange for the operating authority and other assets of the water system. It is planned to issue 450 shares, or 90% of the stock to the Korths, with the remaining 50 shares going to Robert Strauss and Nadine Strauss, his wife. The Korths plan to transfer portions of their stock to the Strausses from time to time, as the development of the company and the performance of the Strausses may warrant. Robert Strauss is employed as manager of the water system, and Nadine Strauss is employed as secretary. Neither of the Korths is any longer involved in the day-to-day operation of the utility. It is their intention to provide for the orderly transition of their water utility business to the Strausses. The Korths will maintain an option to repurchase all of the stock of the Strausses within a period of two (2) years from the date of issuance of such stock.

The Korth's consideration for the capital stock will be the business assets of Lucerne Water Company, which assets substantially exceed the total par value of the stock to be issued. It is intended to issue the Strausses' capital stock as a gift.

The Finance Division and the Hydraulic Branch of the Utilities Division have reviewed the application and agree that the applicant's request is reasonable and should be granted.

After consideration the Commission finds that:

1. The proposed transfer to a corporation would not be adverse to the public interest.
2. The proposed stock issue is for a proper purpose.
3. Stock may be transferred from the Korths to the Strausses from time to time, and the Strausses may control the utility through such transfers of stock.
4. 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 Lucerne Water company, 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 after the effective date hereof and before September 30, 1979, Alfred S. Korth and Lucille E. Korth may sell and transfer the water system and related assets referred to in the application to Lucerne Water Company, a corporation.
2. Lucerne Water Company, in acquiring said water system and related assets, may assume outstanding liabilities and issue not exceeding 500 shares of its \$100 par value capital stock.
3. Robert Strauss and Nadine Strauss may acquire a controlling interest in the capital stock of Lucerne Water Company.
4. Lucerne Water Company 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.
5. 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.

6. Within ten days after completion of the transfer Lucerne Water Company shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 5 of this order.

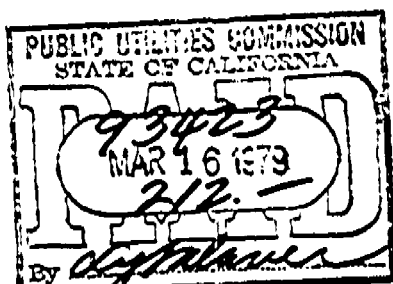
7. Lucerne Water Company shall either file a statement adopting the tariffs of transferor now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order 96-A. No increase in rates shall be made unless authorized by this Commission.

8. On or before the actual date of transfer, Alfred S. Korth and Lucille E. Korth shall deliver to Lucerne Water Company, 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.

9. Upon compliance with all of the terms and conditions of this order, Alfred S. Korth and Lucille E. Korth shall be relieved of their public utility obligations as partners in connection with the water system transferred.

10. The authority granted by this order to issue capital stock will become effective when Lucerne Water Co. has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$212. In other respects the effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 13th day of 1 MARCH, 1979.



John E. Guyon
PRESIDENT
Joseph L. Stegeman
Richard W. Clark
Clair D. DeWitt
Samuel J. ...
COMMISSIONERS