

ORIGINAL

Decision No. 90875 OCT 10 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 EDNA B. LEE, dba GERBER WATER WORKS,
 to transfer all assets and obligations
 to Gerber Water Works, Inc., a
 California Corporation, and for
 authority for the corporation to
 issue stock, pursuant to Public
 Utilities Code Sections 816,
 Section 854.

Application No. 58981
 (Filed July 6, 1979)
 (Amendment filed July 6, 1979)

O P I N I O N

By this application, as amended, Edna B. Lee, dba Gerber Water Works, requests authority to sell and transfer utility assets to Gerber Water Works, Inc., and for authority for the corporation to issue 10,000 shares of one class, no par common stock, of which only 2,098 shares are to be actually issued at this time, all to Edna B. Lee.

Edna B. Lee as sole proprietor of Gerber Water Works provides domestic water service to approximately 40 meter rate customers and 275 flat rate customers in the vicinity of the community of Gerber, Tehama County, California. The utility's balance sheet as of June 1, 1979 is summarized as follows:

ASSETS

Current Assets	\$ 100
Water Plant Less Depreciation	<u>20,880</u>
Total	20,980

LIABILITIES AND NET WORTH

Liabilities	0
Net Worth	<u>20,980</u>
Total	20,980

The filed annual report of Gerber Water Works for 1978 shows that it operated at a net loss of \$4,633 for the year. On August 8, 1978, by Resolution No. W-2394, an increase in revenue of \$4,560, or 21.5%, was granted which it was estimated would provide a rate of return on rate base of 8.5%. Starting with 1974, the utility has shown annual losses of \$166, \$566, \$5,435, \$2,897, and \$4,633.

Gerber Water Works, Inc. proposes to issue 2,098 shares of its no par value common stock to Edna B. Lee and to assume liabilities in exchange for her operating authority and related assets of the water utility. Edna B. Lee desires to enter into the transaction in the belief that Gerber Water Works can be operated more efficiently as a corporation and that it would also provide for an orderly transition in the event that she chose to retire. No change in management is contemplated by the proposed incorporation. Applicant is merely transferring her business to a corporation of which she would be the sole stockholder.

The staffs of the Commission's Utilities and Revenue Requirements Divisions have no objection to the incorporation of Gerber Water Works and the issuance of stock.

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 Gerber 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, 1980, Edna B. Lee may sell and transfer the water system and related assets referred to in the application to Gerber Water Works, a corporation.
2. Gerber Water Works, a corporation, in acquiring said water system and related assets, may assume outstanding liabilities and issue not exceeding 2,098 shares of its no-par value common stock.
3. Gerber 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.

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5. Within ten days after completion of the transfer Gerber 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. Gerber 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.

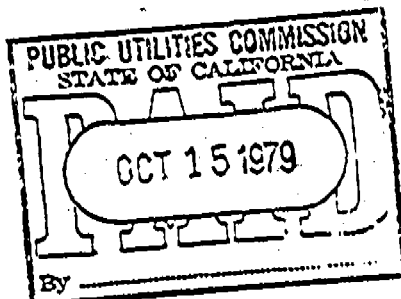
7. On or before the actual date of transfer, Edna B. Lee shall deliver to Gerber Water Works, a corporation, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

8. Upon compliance with all of the terms and conditions of this order, Edna B. Lee shall be relieved of her public utility obligations in connection with the water system transferred.

9. The authority granted by this order to issue common stock will become effective when Gerber Water Works, a corporation, has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$50. In other respects the effective date of this order shall be thirty days after the date hereof.

Dated OCT 10 1979, at San Francisco, California.

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



John G. Boyer
President

Richard D. Howell

Donald W. Smith
Commissioners