

ORIGINAL

Decision No. 91113 DEC 18 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAKE GREGORY WATER)
 COMPANY, a California corporation,)
 to sell; of CRESTLINE VILLAGE COUNTY)
 WATER DISTRICT FACILITIES CORPORA-)
 TION, a California nonprofit)
 corporation, to buy; and CRESTLINE)
 VILLAGE COUNTY WATER DISTRICT, a)
 public corporation under Division 12)
 of the Water Code of the State of)
 California, to lease, maintain, and)
 operate said water system.)

Application No. 59195
(Filed October 10, 1979)

O P I N I O N

By this joint application, Lake Gregory Water Company (Gregory), a California corporation, seeks ex parte authority under the provisions of Sections 851-854 of the Public Utilities Code to sell, convey, transfer, assign, and deliver its water facilities to Crestline Village County Water District Facilities Corporation (Crestline), a California nonprofit corporation, to be leased, managed, and operated by Crestline Village County Water District (District), a public corporation under Division 12 of the Water Code of the State of California, and to discontinue all public utility water operations and be relieved of any future obligation to operate the system, all in accordance with the terms of an agreement between these three parties entered into October 1, 1979 and which is attached to the application as Exhibit "A". Notice of the filing of the application appeared on the Commission's Daily Calendar of October 12, 1979.

D.90319, dated May 22, 1979 in A.58667, authorized Michael L. Adams and Sharon Marie Adams, husband and wife, to acquire control of Gregory in accordance with the terms of an agreement made in December 1978 between Alton T. Du Rant, as the executor of the will of Mary Isabelle Bello, Alton T. Du Rant, as trustee of the Bello Charitable Remainder Unitrust, and Bruce Anthony Bello (collectively known as sellers) and Michael L. Adams and Sharon Marie Adams (buyers). As recited in D.90319, Gregory is a California corporation providing public utility water service to approximately 1,635 customers in the Lake Gregory area in San Bernardino County (County). D.90319 found that:

- "1. The control of Lake Gregory by the buyers through acquisition of all the outstanding capital stock of Lake Gregory pursuant to the proposed agreement would not be adverse to the public interest.
2. There is no formal opposition and no request for a formal public hearing.
3. There is no reason to delay granting the authority requested."

It concluded that:

- "1. The application should be granted to the extent set forth in the orders which follow.
2. A public hearing is not necessary."

The agreement provided for the acquisition by buyers of the stock of Lake Gregory Land and Water Company, Lake Gregory Enterprises, and Switzerland Chalets, Inc., together with Gregory as a joint package. Consequently, no specific price was attached to Gregory by itself but the buyers' attorney informed the Commission's staff, by letter dated March 16, 1979, that the amount of the total purchase price to be allocated Gregory was \$472,318, the amount of rate base adopted in D.89496 dated October 3, 1978 in A.57146. Gregory's balance sheet of December 31, 1978 listed the assets and liabilities as follows:

| <u>Assets</u> | <u>Amount</u> |
|------------------------------------|------------------|
| Total utility plant, less reserves | \$545,428 |
| Investments and fund accounts | 7,717 |
| Current and accrued assets | 27,702 |
| Deferred debits | 9,651 |
| Total | <u>\$590,498</u> |

| <u>Liabilities and Capital</u> | |
|--------------------------------------|-------------------|
| Common stock equity | \$(152,406) |
| Current and accrued liabilities | 695,978 |
| Advances for construction | 13,223 |
| Contributions in aid of construction | 33,703 |
| Total | <u>\$ 590,498</u> |

The authorized transfer of ownership was never consummated, however, and on June 28, 1979 this Commission was informed that the water supply to Gregory had been cut off for failure to pay past-due bills. On June 29, 1979 County obtained a temporary restraining order restoring the water supply to Gregory until July 9, 1979. This Commission determined that it would be in the public interest to have District manage and operate Gregory for the immediate future. D.90485, dated July 3, 1979, rescinded D.90319 and authorized District to enter, manage, and operate Gregory until further order of this Commission.

To permanently resolve the above-described emergency situation, Gregory, Crestline, and District entered into the agreement dated October 1, 1979.

According to this agreement, Crestline was formed to assist District in financing the acquisition of Gregory's water system. Crestline will acquire Gregory's water system and concurrently there-with will lease the water system to District who will operate and maintain the water system. At such time as Crestline sells its bonds to the United States of America Farmers Home Administration,

Crestline and District will enter into a long-term lease of the water system. The assets to be transferred in the sale include the water system, parcels of real property required by District to operate the water system, easements, rights of way, special use permits, water rights, records and maps, funds held by Gregory on closing date, and additions and betterments from the date of agreement to closing date, all as set forth in appendices to the agreement. The base price to be paid Gregory by Crestline is \$322,800 to be adjusted upward for materials and supplies on hand at time of transfer, accounts receivable, value of real property transferred to Crestline and adjusted downward the amount of the service charge due Crestline, and debts, liabilities, and obligations expressly assumed by Crestline. In the event the closing does not occur on or before June 30, 1980 the agreement shall, without any further act of the parties thereto, terminate on June 30, 1980. In addition to this Commission's authorization to execute the agreement, consent and approval of the agreement are required of the Probate Court re Estate of Mary Isabelle Bello.

Findings of Fact

1. The granting of the requested authorization permitting Gregory to sell, convey, transfer, assign, and deliver its water facilities to Crestline to be leased, managed, and operated by District, all in accordance with the above-described tri-party agreement dated October 1, 1979, would not be adverse to the public interest.
2. There is no formal opposition and no request for a formal public hearing.
3. The requested authorization should be granted forthwith.
4. Upon compliance with the terms of the agreement, Gregory should be relieved from further obligation for the operation of the system as a public utility.

Conclusions of Law

1. The application should be granted to the extent set forth in the order which follows.
2. A public hearing is not necessary.
3. D.90485 should be made final.

O R D E R

IT IS ORDERED that:

1. Lake Gregory Water Company (Gregory) is authorized to sell to Crestline Village County Water District Facilities Corporation (Crestline) all of its assets in accordance with the terms of an agreement entered into October 1, 1979 between Gregory, Crestline, and Crestline Village County Water District (District).
2. District is authorized to continue to operate and manage Gregory in accordance with the conditions set forth in said agreement of October 1, 1979.
3. On the effective date of the actual transfer Gregory shall stand relieved of its public utility obligations in connection with the public utility water system herein authorized to be transferred.

4. The authority granted herein shall expire on June 30, 1980 unless earlier exercised.

5. Decision No. 90485 is hereby made final.

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

Dated DEC 18 1979, at San Francisco, California.

John E. Coyne
President
William L. Stearns
Richard D. Hovell
Alfred J. ...
Lionel H. ...
Commissioners