

ORIGINAL

Decision No. 91429 MAR 18 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 FRED H. WALKER, JR., individually
 doing business as MEADOWBROOK WATER CO.,
 for an order authorizing it to sell the
 utility, and the Application of
 MEADOWBROOK WATER CO. OF MERCED, INC.,
 a corporation, for an order authorizing
 it to issue stock for the purchase
 thereof.

Application No. 59149
 (Filed September 20, 1979)
 (Amended November 2, 1979)

O P I N I O N

This application was filed to request authority to transfer ownership of a water system owned by the Walkers, dba Meadowbrook Water Co., near Merced, Merced County. The original application was by Fred H. Walker, Jr. individually to sell to Meadowbrook Water Co. of Merced, Inc. The amendment was filed to include Doris R. Walker, spouse of Fred H. Walker, Jr., as an applicant. The Walkers received permission to acquire the utility by Decision No. 82145, dated November 20, 1973, in Application No. 54347. The Walkers desire to sell the water system to secure for themselves, as shareholders, the limitation of liability and other benefits of incorporation. The sale price is one thousand (1,000) shares of no-par stock. The 1978 Annual Report of this utility reported net plant at the close of 1978 amounting to \$145,447.09. Meadowbrook Water Co. serves 3 metered customers, 459 flat rate customers and provides public fire protection.

No operational changes will result from this transfer. Fred H. Walker is president of the acquiring corporation and will

A. 59149 FG

continue to manage the utility. A pro forma balance sheet as of December 31, 1978 is as follows:

<u>Item</u>	<u>Amount</u>
<u>Assets</u>	
Water Plant in Service	\$191,120.35
Reserve for Depreciation	<u>(45,673.26)</u>
	<u>\$145,447.09</u>
<u>Liabilities and Capital</u>	
Advances for Construction	\$ 39,899.68
Capital Stock	100,000.00
Capital Surplus	<u>5,547.41</u>
	<u>\$145,447.09</u>

(Red Figure)

Our staff investigated the condition of the physical plant of the utility and the quality of service rendered by it to its customers. The staff concluded that the plant is well maintained and the quality of service is good.

The application submitted is silent on the subject of refunds. However, the pro forma balance sheet of Meadowbrook Water Co. of Merced, Inc. (Exhibit C of the application) listed a liability item of \$39,899.68 for long-term contracts payable. This is equal to the amount shown in Schedule J, Advances for Construction, of the 1978 Annual Report filed by the present owners of the utility. In the order which follows, we will require as a condition of our approval that Meadowbrook Water Co. of Merced, Inc. assume liability for refunds of customer deposits and on all contracts which provided advances for extension of the water system.

Findings and Conclusions

1. Applicants are a husband and wife who have applied to sell the utility plant and property to a corporation which they will control.

2. Meadowbrook Water Co. of Merced, Inc.'s proposed stockholders are familiar with operations of the water system and are capable of operating the system.

3. The money, property or labor to be procured or paid for by the issue of the stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

4. The proposed transfer will not be adverse to the public interest.

The Commission concludes that the application should be granted as provided in the order which follows. The action taken herein does not constitute a finding as to the value or the original cost of the properties authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. On or before June 30, 1980, Fred H. Walker, Jr. and Doris R. Walker may sell and transfer the water system referred to in the application to the Meadowbrook Water Co. of Merced, Inc.

2. On or after the effective date of this order and on or before June 30, 1980, for the purposes specified in this proceeding, Meadowbrook Water Co. of Merced, Inc. may issue not exceeding 1,000 shares of its capital stock.

3. As a condition of this grant of authority, Meadowbrook Water Co. of Merced, Inc. shall assume the public utility obligations of Applicants within the area served by the water system being transferred and shall assume liability for refunds of customer deposits and advances for construction pertaining to the water system being transferred.

4. Within ten days after completion of the transfer, Meadowbrook Water Co. of Merced, Inc. shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 3 of this order.

5. Meadowbrook Water Co. of Merced, Inc. shall either file a statement adopting the tariffs of Applicants now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order No. 96-A. No increase in rates shall be made unless authorized by this Commission.

6. On or before the date of actual transfer, Applicants shall deliver to Meadowbrook Water Co. of Merced, Inc., 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.

7. On or before the end of the third month after the date of actual transfer, Meadowbrook Water Co. of Merced, Inc. shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of Applicants for the period commencing with the first day of the current year to and including the effective date of the transfer.

8. Meadowbrook Water Co. of Merced, Inc. shall file with the Commission a report, or reports, as required by General Order No. 24-Series.

9. Upon compliance with all of the terms and conditions of this order, Applicants shall be relieved of their public utility obligations in connection with the water system transferred.

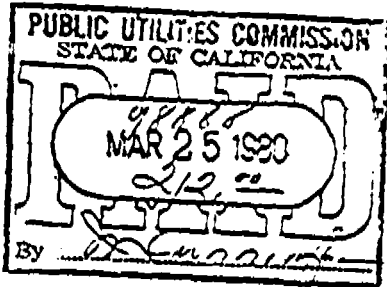
10. The authority granted by this order to issue capital stock will become effective when Meadowbrook Water Co. of Merced, Inc. has paid the fee prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fee is \$212. In other respects the effective date of this order shall be thirty days after the date hereof.

Dated MAR 18 1980, at San Francisco, California.

John E. Boyson
President

William L. [unclear]
Richard D. [unclear]

[Signature]
Commissioners



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