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ORIGINAL

Decision No. 91977 JUL 2 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of REYNOLDS WATER COMPANY, INC.,
a corporation, for an ex parte
hearing and an order authorizing
it to sell the utility, and the
application of COASTAIR
ELECTRONICS INC., a corporation
dba FIELDS LANDING WATER CO.,
for an order authorizing it to
issue stock for the purchase
thereof.

Application No. 59629
(Filed April 30, 1980)

O P I N I O N

Reynolds Water Company, Inc. (Utility), a California corporation, and Coastair Electronics, Inc. (Purchaser), a California corporation, request authority for Utility to sell and transfer all of its capital assets to Purchaser. It is also requested that Purchaser be authorized to issue equivalent shares of common stock in consideration of the aforementioned purchase.

Utility currently furnishes water, as a public utility, in the area of Humboldt Hill, located south of the city of Eureka. Its property consists of a lot and well with a capacity of 40 GPM., a lot with a 420,000-gallon tank, 2 booster pumps, and a distribution system consisting of approximately 5,250 feet of welded-steel pipe, 3,400 feet galvanized pipe, 24,082 feet cement-asbestos pipe, and 16,210 feet of plastic pipe ranging in sizes from 2 inches to 8 inches in diameter. As of December 31, 1979 water service was furnished to 346 metered customers and 25 fire hydrants (no private fire connections).

Utility proposes to transfer the ownership of all its capital assets to Purchaser in return for an equivalent amount of common stock. Applicants assertedly desire to enter into a merger so as to simplify recordkeeping and enhance customer service. It is explained that Utility has lost most of its water supply and must now purchase the balance from Fields Landing Water Co., operated by Purchaser. All water service by Utility is now essentially provided by the personnel of Purchaser as the Utility does not own any vehicles or equipment. No change in management will occur after the proposed merger. The stock of both applicants is owned by the same stockholders, A. A. Pialorsi and Elsie K. Pialorsi, who are also the managers of both corporations.

Findings of Fact

1. Utility, a California corporation in good standing, is a water utility subject to the jurisdiction of the Commission.

2. The proposed sale, transfer, and merger of all of the assets and liabilities of Utility into the one surviving California corporation, Purchaser, would not be adverse to the public interest.

3. Purchaser's proposed issue of equivalent number of shares of common stock for the capital assets of Utility is for a proper purpose.

4. There is no known opposition and no reason to delay granting the authority requested.

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. 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 Purchaser, a corporation, and its shareholders on notice that we do not regard the number of shares outstanding, the stated 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. Reynolds Water Company, Inc., may, within ninety days from the date hereof, sell its utility water system and related capital referred to in the application into Coastair Electronics, Inc., a California corporation.

2. Coastair Electronics, Inc., in acquiring the utility water system and related assets of Reynolds Water Company, Inc., shall also assume all of the outstanding liabilities of the latter water utility and may issue equivalent shares of common stock in consideration thereof.

3. Coastair Electronics, Inc. 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, Coastair Electronics, Inc. shall assume the public utility obligations of the water system being transferred and shall also assume liability for refunds of all existing customer deposits and advances pertaining to the water system being transferred. Coastair Electronics, Inc. shall send notice of the assumption of liability for refunds to all customers affected.

5. Within ten days after the completion of the transfer authorized herein, Coastair Electronics, Inc. shall notify this Commission, in writing, of the date of completion and of the assumption of the obligations set forth in Ordering Paragraph No. 4 of this order.

6. Coastair Electronics, Inc. shall either file a statement adopting tariffs of Reynolds Water Company, Inc. 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.

7. On or before the date of actual transfer, Reynolds Water Company, Inc. shall deliver to Coastair Electronics, Inc., and the corporation shall receive and preserve, all records, memoranda, and paper pertaining to the construction and operation of the water system authorized to be transferred.

8. Within sixty days after completion of the transfer authorized herein, Coastair Electronics, Inc. shall file with the Commission a copy of each journal entry used to record the instant transactions on its books of account.

9. Upon compliance with all the terms and conditions of this order, Reynolds Water Company, Inc. shall be relieved of its public utility obligations in connection with the water system transferred.

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

Dated JUL 2 1980, at San Francisco, California.

John E. Guyon
President
Veronica L. Steyer
Michael D. Howell
Charles J. DeFuria
Arnold J. Jones
Commissioners