

CALIFORNIA PUBLIC UTILITIES COMMISSION
Water Division

Sale and Transfer of a Water System or Sewer System

Standard Practice U-24-W

San Francisco, California
March 2004

A. Water System Transfer Application

1. This document has been prepared as an aid in the preparation of a formal application for approval of the sale and transfer of a water or sewer system. It is designed to assist an applicant in preparing a complete application and in complying with statutory requirements. It also is to be used to enable the Commission's staff to expedite its investigation.
2. An application must comply with the Commission's Rules of Practice and Procedure, particularly those rules shown in Articles 2, 4, 5, 8, and 23, and Rule 17.1 (Preparation and Submission of Environmental Impact Reports). The filing fee for the application is \$75 if the transfer is to another Commission-regulated utility or a Mutual Water Company. No fee is required if the sale is to a district.
3. For a water system the applicant must obtain the necessary permits from the State Department of Health Services (DHS) or County and local Health Departments. The water system must comply with the applicable agencies' requirements and must meet acceptable engineering practices.
4. The Commission does not necessarily hold a hearing on an application for a water system sale, but may issue its decision on an ex parte basis. Hearings may not be required where the application is relatively complete and where there are not parties protesting, or likely to protest, the granting of the application.
5. With respect to the mechanics of the preparation of an application:
 - Paper size: The size of this guide, 8½ x 11 inches, is required.
 - Use only one side of the paper.
 - Double space all text material. Single space tabulated data.
 - PUC requires an original and 8 conformed copies.
 - Appendix A contains a fill-in-the blank application form.
6. With respect to the type of business organization to be set up, applicants should be advised that under the Commission's regulatory jurisdiction, staff members must have access all books and records of a public utility and a public utility corporation must obtain Commission authority to issue its stock. For these reasons the staff suggests that applicants explore the feasibility of establishing the utility as an entity doing business only in California (such as a domestic corporation described below). The following paragraphs describe various forms of ownership of water and sewer companies.
 - a. Sole proprietorship means that an individual owner has sole control over disposition of the property and is sole recipient of any benefits that flow from it. However, the owner is also liable for any debts or other obligations associated with the property, such as taxes and assessments. If the utility is acquired by a married person, in California the utility becomes community property co-owned with the spouse, and both

parties must agree to the sale. A sole proprietorship reports business income in his or her own individual income tax return.

- b. Partnerships exist when two or more people own a water or sewer system and tenancy in partnership is specified. Partnerships do not pay separate income tax. Each partner is responsible for paying income tax on income received from the system. Each partner is also liable for the partnerships debts. When a partner dies, his or her ownership goes to the surviving partners, although the heirs of the deceased partner are entitled to the deceased's share of business profits.
- c. Tenancy in common is created when two or more persons take title and either tenancy in common is specified or no other tenancy is specified. Tenants in common can own fractional shares of the water or sewer system, sharing in the revenues and costs based on those ratios. When a tenant dies, ownership passes to the heirs based on fractional ownership.
- d. Joint tenancy is a form of co-ownership that must meet certain legal requirements to be effective. All joint tenants must take title at the same time, with each receiving an equal interest (no unequal shares) and parties must claim possession with a right of survivorship. A joint tenant cannot transfer ownership by means of a will. Even if the transfer is stated in the will, ownership by the other joint tenants is paramount. Similarly a joint tenant cannot sell his or her interest without terminating the joint tenancy with respect to his or her interest. If there were only two joint tenants, the remaining owner and new owner would be tenants in common. If there were more than two joint tenants, the remaining joint tenants would continue the joint tenancy and the new owner would be a tenant in common.
- e. A corporation is classified as domestic if it only operates in one state and as foreign if it does business in a state other than the state of incorporation. A corporation is owned by its shareholders and is recognized as a separate legal entity that can own, lease and convey real property. Day-to-day operations are controlled by the officers, who are answerable to a board of directors. The advantage of a corporation is that the officers, directors and shareholders are generally not liable for corporate decisions and corporate debts. The disadvantage is that corporate income is taxed twice. This may be effectively avoided by the corporation if the shareholders are officers by paying the shareholders in salary rather than dividends. If the corporation qualified as a Subchapter S corporation under the internal revenue code income is only taxed once.
- f. A limited liability corporation is owned by its members. It offers the control and income distribution benefits of a general partnership with the liability protection of a corporation.

7. As an aid in preparing an application, the Commission's Water Division staff personnel would be pleased to review a single draft copy of a proposed application before the filing is made. In this manner, the staff can make comments on the contents of the proposed application, which may indicate the need for any additional data or the elimination of any unnecessary information. Send the copy to Water Division, 505 Van Ness Avenue, Civic Center, San Francisco, California 94102.
8. After an application has been filed and assigned a number, all correspondence concerning that proceeding should show the number in the upper right-hand corner.

Appendix A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of _____)
_____)

doing business as _____)
_____)

Application No.

to sell and _____)
_____)

_____) (For Commission use only)

to buy the water system in _____)
_____ County)
_____)

APPLICATION

This application of _____

_____ (seller(s))

whose address and telephone number is _____

_____, (_____) _____

owner(s)

of the water system known as _____

_____ and _____

_____ (buyer(s))

whose address and telephone number is _____

_____,
(_____) _____ respectfully shows:

I

That communications in regard to this application are to be addressed to _____ whose address _____

_____ (person)

Appendix A

is _____,
_____ (zip code)
telephone number (____)_____.

Appendix A

II

That the application is made pursuant to Sections 851 through 854 of the California Public Utilities Code and Rules 1 through 7, 15 through 17, 35, 36, 45 through 48 and 88 of the Commission's Rules of Practice and Procedure for authority to transfer the water system operating in the area described as

_____ in or near the
community
of _____, serving

(city)
(number)
customers.

III

The seller(s) was/were granted a Certificate of Public Convenience and Necessity by Decision (D.) _____, dated _____, in Application (A.) _____, filed _____.

OR

Authority to acquire the system was granted to sellers by D. _____, dated _____, in A. _____, filed _____. The water system operates under a franchise granted by _____.

(if applicable)

IV

The water system consists of (brief description):
Land:

Appendix A

Wells Number: _____, Diameter:
_____ Depth: _____ Other Source of
Supply: _____

Pumping Equipment: Number: _____ HP: _____ capacity--
GPM: _____ Water Treatment Equipment:

Reservoirs and Tanks: Number: _____
Capacity: _____

(gallons)

Water Mains: _____ feet. Services:

(number)

Meters: _____ installed, _____ available for
installation: _____ Fire hydrants: _____

Buildings: _____

(number)

_____ Office furniture and equipment:

Transportation equipment:

Other equipment:

V

The original cost of property being transferred is
\$_____, and the depreciation reserve as of

(date)

Appendix A

is \$_____, resulting in a net book cost of \$_____. The selling price is \$_____ with these terms for payment:

—.

A copy of the transfer agreement is attached hereto as Exhibit A.

A copy of the proposed deed to real property is attached hereto as Exhibit B.

VI

Seller(s) desire(s) to dispose of the system because

—.

and buyer(s) desire(s) to acquire the system because

—.

Buyer(s) has/have had the following experience which qualifies him/them to operate the system:

—.

—.

VII

Seller's(s') most recent annual report, for year ending _____, is attached hereto as Exhibit C.

Buyer's(s') financial net worth statement is attached hereto as Exhibit D.

Buyer's(s') occupation is _____ and present employment is _____.

Buyer's(s') employment address and telephone number is

Appendix A

_____, (____)_____
Buyer's(s') residential address and telephone number is

_____, (____)_____.

VIII

Buyer(s) propose(s) to adopt the presently filed tariffs of the seller(s), a copy of which seller(s) has available to furnish to buyer(s). Buyer(s) agree(s) to be bound by any outstanding Commission decisions and/or directives involving the water system being transferred. Buyer(s) will be furnished the utility's copies of the following or informed of their availability at the Commission's headquarters, 505 Van Ness Avenue, San Francisco, California 94102:

- (a) General Order 96-A, Filing and Posting of Tariff Schedules
- (b) General Order 103, Rules Governing Water Service, Including Minimum Standards for Design and Construction
- (c) Uniform System of Accounts for Class D Water Utilities
- (d) Rules of Practice and Procedure
- (e) Public Utilities Code of the State of California

IX

Seller(s) and buyer(s) warrant that:

- (a) There are no customer deposits to establish credit.
OR
Buyers will refund customer deposits when due.
- (b) There are no main extension advances
OR
All refunds due on main extension advances have been paid on a current basis and none are overdue.
- (c) On main extension advances which will fall due in the future, buyer(s) agree(s) to pay the refunds when due.

Appendix A

(d) The condition of the system is good.

OR

The system needs modification and repair to bring it up

to the standards of General Order No. 103 at an estimated cost of \$ _____. These funds (are) (are not) available. The work will be

performed

by the (seller(s)) (buyer(s)). Source of Funds is _____

X

Seller(s) and buyer(s) accept joint responsibility for informing the community of customers about this application after filing.

WHEREFORE, applicants request an ex parte order authorizing seller(s) to transfer and buyer(s) to acquire the water system described and under conditions stated herein and that seller(s), upon compliance with such an order, be relieved of any public utility responsibilities related to the system being transferred.

I and each one of us whose names are shown as application seller(s) and buyer(s) in the above-entitled matter hereby declare and say:

That I and each one of us have read the foregoing application and know the contents thereof; that the statements are true of my own knowledge, except as to the matters which are stated on information or belief, and as to those matters which I believe them to be true.

I and each one of us declare under penalty of perjury that the foregoing is true and correct. This has been executed at the place and on the date shown on the signature line. (Each named applicant must sign.)

Signatures

City and State

Date

Appendix A

Seller:	_____	_____

Seller:	_____	_____

Buyer:	_____	_____

Buyer:	_____	_____

Decision 00-01-018 January 6, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Gerald V. Wedel and Linda J. Wedel, doing business as Pine Mountain Water Company (U-258-W) for Authority to Sell and Del Oro Water, Co., Inc. (U-61-W) for Authority to Buy the Pine Mountain Water System in Tulare County.

Application 99-07-016
(Filed July 13, 1999)

Application of Pine Flat Water Company, a California Corporation (U-257-W) for Authority to Sell and Del Oro Water, Co., Inc. (U-61-W) for Authority to Buy the Pine Flat Water Company Water System in Tulare County.

Application 99-07-017
(Filed July 13, 1999)

O P I N I O NII. Statement of FactsIII. Pine Mountain Water Company

Pine Mountain Water Company (Pine Mt.) was granted a Certificate of Public Convenience and Necessity (CPCN) by Decision (D.) 70198 issued January 11, 1966 to operate a public utility water system to serve Pine Mountain, a mountain area approximately 45 miles from the Town of Porterville in Tulare County. By D.89266 issued August 22, 1978, the system's sale to Gerald V. Wedel was authorized. Today Pine Mt. serves 84 unmetered customers through 11,800 feet of four-and six-inch transite mains. Pine Mt. also sells water on a metered basis to adjacent Pine Flat Water Company (Pine Flat). Pine Mt. operates from four wells and a 64,000-gallon reservoir.

Commission Resolution W-4037 issued April 9, 1997 authorized Pine Mt. to file an advice letter incorporating the Summary of Earnings, \$21,079 Rate Base, and 13.25% Rate of Return set forth in the Resolution. Pine Mt. filed its Advice Letter (AL) No. 12 thereafter, and its last general rate increase became effective April 19, 1997.

IV. Pine Flat Water Company

About 1911, the Meyers Land Company, as part of its land sales operations, constructed a water system at Pine Flat, an area approximately 45 miles southeast of the Town of Porterville in Tulare County. The intention, not implemented, was to eventually form a mutual. Meyer's daughter, Helen M. Curtis, by 1936 the owner of the system, donated it to the Pine Flat utility organized by K.H. Morse. In 1949, the company obtained a CPCN from the Commission by D.42920. In the 1970 period, Gerald V. Wedel, part owner, became president. Today, Pine Flat serves 206 metered customers through 27,200 feet of two-inch standard screw mains, obtaining its water from three wells, five springs, and purchases from Pine Mt. It has five steel storage tanks with a total capacity of 84,374 gallons.

Commission Resolution W-4039 issued May 21, 1997 authorized Pine Flat to file an advice letter incorporating the Summary of Earnings (set forth in that Resolution) and rate schedules (also set forth in the Resolution). While not explicitly so stated in the Resolution's Ordering Paragraphs, the latter schedules were derived from use of an Operating Ratio Method of Return adopted in view of the small \$2,116 rate base (the result of depreciating the aging plant). The "margin" (or rate of return) was set at a very generous 20% of the total expenses listed in the Summary of Earnings. Pine Flat subsequently filed AL No. 14, and its last general rate increase became effective December 24, 1997.

V. Del Oro Water Co., Inc.

Del Oro Water Co., Inc. (Del Oro), a California corporation since 1963, has provided public utility water services under the regulatory jurisdiction of the Commission, and presently directly serves approximately 5,000 customers in Butte County, and through wholly-owned subsidiaries serves another 1,300 customers in Shasta and Humboldt Counties.

VI. The Present Situation

The Wedels desire to sell their two water systems because they want to discontinue doing business as regulated public utilities.

Del Oro is interested in acquisition of the Pine Mt. and Pine Flat systems because it believes they can be profitably and efficiently consolidated with the regulated systems Del Oro already owns and operates.

Accordingly, the captioned applications have been filed to effectuate a sale and transfer of both Pine Mt. And Pine Flat to Del Oro. The selling price for Pine Mt. is \$37,500. The original cost is stated as being \$54,833 with a depreciation reserve of \$34,205, resulting in a net book cost of \$20,628. The selling price for Pine Flat is \$27,500, with the original cost being \$67,439 with a depreciation reserve of \$65,858, resulting in a net book of \$1,581. In both proposed acquisitions Del Oro agrees to refund all customer deposits when due. No refundable main extension advances are overdue, and those falling due in the future will be paid. While both applications state that the condition of the systems is good, we note that in the instance of Pine Flat, the Commission's 1997 Resolution W-4039 found that the existing mains were over 70 years old and the Resolution provided that Pine Flat should replace 3,500 feet of 2-inch mains with 6-inch mains. This has not been done.

Pursuant to Rule 6.1(a) of the Commission's Rules of Practice and Procedure, by ALJ Resolution 176-3020 issued July 22, 1999, the Commission preliminarily determined that the captioned applications are ratesetting matters that do not require a hearing.

On August 4, 1999, each application was timely protested by the Ratepayers Representation Branch of the Water Division (RRB), merely stating RRB's belief that a hearing might be necessary.

A duly noticed prehearing conference (PHC) was held on October 22, 1999 before assigned Commissioner Henry M. Duque and Administrative Law Judge (ALJ) John B. Weiss in San Francisco. The assigned Commissioner and the ALJ considered the applications, the RRB protests, and the response of Del Oro at the PHC. Noting Del Oro's past demonstrated capabilities in managing, operating, and maintaining the diverse water public utilities serving over 6,000 customers in various parts of California, the assigned Commissioner and the ALJ concluded no hearing was required regarding Del Oro's capabilities.

Applying the proposed purchase prices reflecting premiums to rate base as required pursuant to Pub. Util. Code § 2718 et seq., and substituting these in the respective Summaries of Earnings applied to Pine Mt. And Pine Flat in each's latest rate proceeding, the Commissioner and ALJ concluded that prospective resulting rate impacts were neither unfair nor unreasonable in view of the Legislature's intentions in promulgating Pub. Util. Code § 2718 et seq., and did not warrant further investment of Commission resources as would be necessitated by a hearing. By the Joint Ruling of the assigned Commissioner and the ALJ issued October 29, 1999, RRB's request for hearing was denied.

VII. Discussion

With exceptions not relevant here, historically the Commission has applied the concept of original cost less depreciation in the determination of rate base value to be used in ratemaking. But by the provisions of the Public Water Systems Investment and Consolidation Act of 1997 (Pub. Util. Code §§ 2718 et seq.), the Legislature has provided that henceforth the Commission "shall" use the standard of fair market value (as set forth in § 1263.320 of the Code of Civil

Procedure¹) when establishing the rate base value for the distribution system of an acquired water corporation.

In promulgating the 1997 Act, the Legislature clearly was well aware that incentives, both financial and operational, would be necessary to induce larger, well established water corporations to take over smaller, less well-established water corporations facing needs to replace or upgrade their systems to meet the increasingly stringent state and federal safe drinking water laws and regulations governing fire flow standards. These incentives must ultimately be reflected in rates. The benefits of well run, well-financed water utilities to ratepayers do not come without cost. And unless the potentially resulting rate impact is clearly unfair and unreasonable, the intention under Pub. Util. Code §§ 2718, et seq. was that the Commission “shall” approve the proposed acquisitions. But if the resulting potential rate impact was unfair and unreasonable, the Legislature left the Commission authority under Pub. Util. Code §§ 851 and 852 to deny the applications. The Commission lacks discretion to condition approval of an acquisition upon valuation, below fair market value, of the resulting rate base of the distribution systems of an acquired system (see Interim Opinion Regarding Applicability of Pub. Util. Code § 2718 et seq. to the proposed merger (D.99-09-030 issued September 2, 1999) in the Joint Application of Cal-Water Service Co. and Domingues Water Company et al. in Application (A.) 99-02-004).

When the prospective rate impact indicated from application of “fair market” value purchase price as the new rate base is not so great as to be clearly unfair or unreasonable to the ratepayers, considering the future benefits they will

¹ The relevant portion of Section 1263.320 states:

(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to be a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

receive by virtue of being served by larger, well-managed utilities better able to meet the present and future requirements of federal and state laws and regulations, we see no reason to expend the Commission's limited resources on preparation of staff reports and hearings. To do so and thereby delay and increase the cost of desirable acquisitions for form's sake would only serve to discourage would be acquisitions, and ignore the clear intention of the Legislature when it enacted Pub. Util Code §§ 2718 et seq.

In these applications the proposed purchase prices in each instance meet the fair market value definition of Civil Procedure Code § 116275 for their designation as the new rate base value for prospective ratemaking in each proceeding. These purchase prices (or "fair market" values) clearly do not approach, much less exceed, the reproduction costs (as defined in Evidence Code § 820) for even that portion of each utility's distribution system represented by their existing water distribution pipes (as set forth in each utility's 1998 Annual Reports). This obviates any need to consider Pub. Util. Code § 2720(2)(b) issues.

After concluding that the agreed-upon sales price is the fair market value of the companies, we must now determine if the substitution of the fair market value ratebase instead of the current book value results in estimated rate increases that might be considered unfair or unreasonable. In the Pine Mt. instance, application of the "fair market" value purchase price as the new rate base in the 1977 Summary of Earnings set forth in Resolution W-4037, the utility's most recent rate proceeding, would produce an earnings requirement (using the same 13.25% rate of return) only \$2,176 higher, so that the rates authorized by Pine Mt.'s AL No. 12 would increase approximately 13%. We find nothing inherently unfair or unreasonable in that.

Pine Flat, on the other hand, operates on the Operating Ratio Method of Return. Assuming it were to continue under that method, the proposed purchase price would have no impact at all on prospective rates. If the operator received Commission authorization to move back to the Rate Base Method of Return, the proposed purchase price would then become the new rate base. The effect of applying that new rate base to the 1997 Summary of Earnings set forth in Resolution W-4039, the utility's most recent rate proceeding, would produce an earnings requirement less than that under the Operating Ratio Method. Thus, the resulting rates would be slightly less than those authorized under Resolution W-4039 and AL No. 14 for Pine Flat.

Upon payment to the Commission of the Public Utilities Reimbursement Fees collected to the date of the consummated sales and transfers, the Wedels and Pine Flat can be relieved of further public utility obligations with regard to the Pine Mt. and Pine Flat systems.

Finally, pursuant to provisions of California Health and Safety Code (CH&S) § 116525(a), any person or entity operating a public water system must have a permit to operate that system from the Department of Health Services (DHS), and a change in ownership of a public health system requires the prospective new owner to apply to and satisfy DHS' requirement that the new owner "possesses adequate financial, managerial, and technical capability to assure the delivery of pure, wholesome, and potable drinking water" (CH&S Code § 116540). Accordingly, apart from authorization from the Commission for Del Oro acquisition of Pine Mt. and Pine Flat, Del Oro must also apply to DHS for reissuance of the existing permits of Pine Mt. and Pine Flat.

Findings of Fact

1. Both Pine Mt. and Pine Flat are private investor-owned water public utilities as defined in Pub. Util. Code § 241, and have been subject to the jurisdiction and regulation of the Commission since certification.
2. Del Oro is a private investor-owned water public utility as defined in Pub. Util. Code § 241, subject to the jurisdiction and regulation of the Commission since 1963, and today Del Oro successfully itself or through wholly-owned subsidiaries serves over 6,000 customers in various counties in California.
3. By the captioned applications, Del Oro seeks authorization from the Commission to acquire Pine Mt. and Pine Flat, and the Wedels and Pine Flat seek authorization to sell the systems..
4. Del Oro is a willing buyer; the Wedels' and Pine Flat are willing sellers, and none of the parties are under any necessity to buy or sell.
5. The agreed upon purchase prices for Pine Mt. and Pine Flat each include a premium over the selling entities' rate bases as determined in each sellers' last general rate proceeding in 1997.
6. Given the extensive distribution mains of both the Pine Mt. and Pine Flat systems, the purchase prices, reflecting as they do the respective fair market values, do not exceed reproduction costs as determined in accordance with Evidence Code § 820, and there are therefore no additional purchase price amounts to be considered pursuant to Pub. Util. Code § 2720(b).
7. Application of the fair market value purchase prices as rate bases, and substituting these for the rate bases determined in the Summaries of Earnings for the last general rate proceedings of Pine Mt. and Pine Flat, could result in rate impacts of approximately 13% for Pine Mountain and probably no increase for Pine Flat.

8. Despite the fact that by ALJ Resolution 176-3020 the Commission had preliminarily determined that no hearing was required for either captioned application, the Assigned Commissioner and the ALJ conducted a PHC to consider RRB's protest and Del Oro's response.

9. By a Joint ruling of the Assigned Commissioner and the ALJ issued after the PHC and consideration of the applications, protests, and response of Del Oro, RRB's request of hearings on the applications was denied; the Commissioner and the ALJ having concluded that as Del Oro by past performance had demonstrated its capability to manage, operate, and maintain the two systems, and as no unjust or unreasonable effect on the existing customers of the contracting parties would result from the acquisition, there was no necessity for a hearing.

10. Before Del Oro can operate the Pine Mt. and Pine Flat systems it is required to comply with CH&S § 116540.

11. Payment to the Commission of the Public Utilities Reimbursement Fees due to the date of closing and transfer must be made by the Wedels and Pine Flat before they can be relieved of their public utility obligations with regard to the respective water systems having sold.

12. Transfer of ownership of Pine Mt. and Pine Flat to Del Oro would be in the public interest.

Conclusions of Law

1. In promulgating Pub. Util. Code §§ 2718 et seq., the Legislature recognized the necessity for incentives to induce larger, well-established water corporations to acquire small, less well organized water corporations; one of these incentives is implicit in the legislative language that states that the Commission "shall" use the standard of fair market value to value the rate base of the distribution system

of an acquired public water system and that this standard “shall” be used for ratesetting, even though the result may be higher rates.

2. Nothing in Pub. Util Code §§ 2718 et seq. suggests that the Legislature intended discretionary, rather than mandatory, application of the fair market rate base valuation standard.

3. Pub. Util. Code §§ 2718 et seq. does not undermine or otherwise conflict with the Commission’s obligation to review a water utility sale within our jurisdiction and to authorize that sale only if the Commission concludes authorization is in the public interest.

4. Were the Commission to conclude that application of Pub. Util. Code §§ 2718 et seq. would result in unfair or unreasonable increase in rates, while the Commission cannot require a lower rate base valuation or discriminatory rate of return as a condition of its approval, the Commission’s authority to deny the sale remains undiminished.

5. Application of fair market value purchase prices as rate bases and substituting these for the Summary of Earnings rate base used in the last general rate proceeding for each utility does not result in impacts that are unfair or unreasonable.

6. Public hearing is not necessary.

7. The applications for sale and transfer of Pine Mt. and Pine Flat Water Systems to Del Oro should be authorized as set forth in the order that follows.

8. Upon consummation of the sales and transfers, and payment to the Commission of the Public Utilities Reimbursement Fees collected to the date of the sales and transfers, the Wedels and Pine Flat should be relieved of their public utility obligations with regard to the systems.

9. Before undertaking actual operation of either water system after the sales and transfers, Del Oro should obtain permits to operate the system from the DHS pursuant to the requirements of CH&S § 11650(a)

10. These proceedings should be closed.

O R D E R

IT IS ORDERED that:

1. Within six months after the effective date of this order, Gerald V. Wedel and Linda J. Wedel (the Wedels), doing business as Pine Mountain Water Company (Pine Mt.), and the Pine Flat Water Company (Pine Flat), are authorized to sell, and Del Oro Water Co., Inc. (Del Oro) is authorized to buy the Pine Mt. and the Pine Flat water systems in Tulare County.

2. Within ten days of the actual sales and transfers of the systems, Del Oro shall notify the Commission in writing of the date on which each sale and transfer was consummated, and shall attach on each written notification a true copy of the instrument effecting the sales and transfer.

3. The Wedels and Pine Flat shall make remittance to the Commission of the Public Utilities Reimbursement Fees collected to the date that each sale and transfer is consummated. Upon completion of the sales and transfers, and remittance of the reimbursement fees, the Wedels and Pine Flat shall stand relieved of their public utility water obligations with respect to the Pine Mt. and Pine Flat water systems.

4. Application (A.) 99-07-016 and A.99-07-017 are closed.

This order becomes effective 30 days from today.

Dated January 6, 2000, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

CARL W. WOOD

Commissioners

I abstain.

/s/ LORETTA M. LYNCH

Commissioner

NOTE:

The following exhibits must be attached to all applications for transfer:

Exhibit A - Copy of the sale agreement. If there is no written agreement, it should be so stated in the application and other documentation of sale attached, such as bill of sale, escrow agreement or note.

Exhibit B - Copy of the proposed deed to the real property transferred.

Exhibit C - Copy of the last annual report of seller(s) or a copy of the latest available balance sheet and income statement of seller(s).

Exhibit D - Copy of buyer's(s') financial net worth statement, or, if operating as a utility, the latest available balance sheet and income statement.

If the purchase price is more than the net book cost, the following statement must be included in the application, preferably as a letter exhibit signed by the purchaser.

Purchaser is paying \$_____ more than the original cost of net depreciation and contributions. He understands that rates will be based upon the depreciated original cost of the plant, excluding contributed plant, and not on the purchase price.

A check for \$75 must accompany the applications for transfer of the Certificate of Public Convenience and

