

Decision No. 24267

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CALIFORNIA WATER SERVICE COMPANY,
a corporation, and the

CITY OF REDDING,
a municipal corporation,

for an order authorizing (1) the sale
and transfer from California Water
Service Company to the City of Redding
of certain public utility properties,
and (2) the discontinuance by
California Water Service Company of
its public utility obligations in the
City of Redding and contiguous terri-
tory.

ORIGINAL

Application No. 24038

McCutchen, Olney, Mannon & Greene,
by Robert M. Brown, for Applicant.

Glenn D. Newton, City Attorney, and
Chenoweth and Leininger, by
Orr M. Chenoweth, for City of Redding.

BY THE COMMISSION:

O P I N I O N

California Water Service Company, a corporation, engaged in the business of selling water in the City of Redding, Shasta County, asks the Commission for authority to sell and transfer all of its water rights and certain of its transmission, distribution and storage facilities to the City of Redding, which joins in the application, and, in an amendment to the application, requests authority to discontinue entirely its public utility obligations in the City of Redding and contiguous territory within a period of sixty (60) days after the date of the Order.

A public hearing in this proceeding was held before Examiner Murray R. MacKall at Redding.

The California Water Service Company for many years has operated a public utility water works supplying the inhabitants of the City of Redding and certain adjoining territory with water for domestic, commercial and industrial purposes. A few years ago, the City of Redding installed and is now operating its own municipal water works which, for all practical purposes, provides a completely parallel and competitive service with the utility. A contract has now been entered into wherein the Company has agreed to sell and transfer certain of the utility properties to the City for a total purchase price of forty-five thousand dollars (\$45,000) with interest, and payable in nine equal annual installments out of the net revenues to be derived by the City through the operation of the properties purchased. Upon the City assuming control and possession of said properties, the California Water Service Company is to withdraw from the field entirely. This agreement was authorized by Resolution No. 1189 duly passed and adopted by the City Council of the City of Redding.

The evidence shows that the book value of the Company's water properties in Redding was \$313,265 as of December 31, 1940. Competitive conditions, arising from the operations of the municipal system, have resulted in a net operating loss claimed to be \$16,400 for the year 1940 with no prospect of improvement in the future. The purchase contract provides for the sale of certain facilities useful and necessary to the operation of the City's water works. The remainder of the utility plant and equipment will be salvaged and used elsewhere or otherwise disposed of.

The testimony indicates that all consumers now being supplied through the utility's system can be served by the municipal water works within a period not to exceed forty-five (45) days, these forty-five days being the time required to cut over all service connections to the City's distribution mains.

Objection against the approval of this joint petition of the California Water Service Company and the City of Redding was made by Dr. Ernest Dozier, L. T. Alvard and J. P. Staton, primarily upon the grounds that the action of the City Council in entering into an agreement to purchase the properties involved herein did not have the approval of the majority of the electorate of the City of Redding and that authorization of the transfer of said properties would eliminate the existing competitive conditions resulting in the City immediately raising the rates for all water service to the alleged serious detriment of the public welfare. In this connection, it is well to consider the fact that water operations in the City of Redding have now reached the unfortunate stage where it is no longer possible for either system to operate at a profit. The evidence is conclusive that California Water Service Company cannot conduct its business in competition with the municipal water works except at a continuous and substantial out-of-pocket loss.

In the light of these circumstances, we are of the opinion that the application, as amended, should be granted. It would appear highly improper as wholly foreign to its regularly constituted authority and jurisdiction for this Commission to attempt to pass judgment upon the propriety of the official action taken by the duly constituted municipal authorities leading to the acquisition of any of the properties involved herein, which, in their opinion, appeared to be necessary and useful to their city.

O R D E R

Application as above entitled having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that California Water Service Company, a corporation, be and it is hereby authorized to sell and convey to the City of Redding, a municipal corporation, those certain parts and parcels of its Redding water system in the County of Shasta under and subject to the terms and conditions of the agreement entered into by and between California Water Service Company and the City of Redding, under date of March 3, 1941, said agreement being marked Exhibit "I", attached to the application herein, and which is hereby made a part of this Order by reference, said sale to be made substantially in accordance with the terms and conditions of said agreement.

IT IS HEREBY FURTHER ORDERED that California Water Service Company, be and it is hereby authorized to discontinue within ninety (90) days from and after the date of this Order all public utility water service supplied to its consumers in the City of Redding and in the vicinity thereof, subject to the following terms and conditions:

1. Within ten (10) days from the date of this Order, California Water Service Company shall notify in writing each consumer now being served by its Redding Water System of said Company's intention to discontinue water service under the authority herein granted ninety (90) days after the date of this Order.
2. Within ninety (90) days from the date of this Order, California Water Service Company shall refund to such consumers as may be entitled thereto all amounts deposited for main extensions,

establishment of credit, and/or any other similar utility purpose, and not later than said date it shall file with this Commission a certified statement to the effect that all such refunds, if any, have been duly made.

3. Within one hundred (100) days from the date of this Order, California Water Service Company shall file with this Commission a certified statement indicating that it has duly complied with paragraphs 1 and 2 of this Order, and, furthermore, shall set forth therein the date upon which said Company finally ceased the sale and distribution of water in the City of Redding and in territory contiguous thereto.

IT IS HEREBY FURTHER ORDERED that upon due compliance with the above terms and conditions, said California Water Service Company shall thereupon and thereby stand relieved of all further public utility obligations and liability in connection with its water operations in and in the vicinity of the City of Redding.

The effective date of this Order, shall be the twentieth (20) day after the date hereof.

Dated at San Francisco, California, this 20th day of May, 1941.

W. L. Baker
Chas. L. Kelley
Justus F. Calender
Frank D. Havens
Richard H. Halse
Commissioners.