

Decision No. 36758

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

.....
In the Matter of the Application
of COAST COUNTIES GAS AND ELECTRIC
COMPANY, a corporation,

to Sell; and

MONTEREY BAY REDWOOD COMPANY, a
corporation,

to Purchase,

.....
certain properties described as the
CAPITOLA WATER SYSTEM.
.....

ORIGINAL

Application
No. 25836

Pillsbury, Madison & Sutro, by Henry G. Hayes
for Coast Counties Gas and Electric Company.

Bert B. Snyder for Monterey Bay Redwood
Company.

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing had on
November 19, 1943, before Examiner Fankhauser, Coast Counties
Gas and Electric Company asks permission to sell, assign and
transfer, for the consideration hereafter mentioned, its Soquel-
Capitola public utility water properties to Monterey Bay Water
Company, a partnership, consisting of James A. Harris, Jr. and
George W. Cooper. A copy of the agreement of sale is filed in
this application as Exhibit A.

Under the authority granted by Decision No. 35803,
dated September 29, 1942, in Application No. 25153, said

Monterey Bay Water Company acquired the public utility water properties of Aptos Water Company. It now serves the Town of Aptos, Rio Del Mar Country Club and environs. James A. Harris, Jr. and George W. Cooper are presently negotiating for the purchase of other public utility water properties. It is their intention in due time to transfer all of the properties to a corporation.

Coast Counties Gas and Electric Company acquired the Soquel-Capitola public utility water properties pursuant to the authority granted by Decision No. 35384, dated May 19, 1942, in Application No. 24931. In Exhibit 5 the cost of the properties to Coast Counties Gas and Electric Company, as of October 31, 1943, is reported at \$101,396.57, which is segregated as follows:

Organization	\$ 2,250.00
Franchises	400.00
Water rights	3,500.00
Source of water supply land	3,100.00
Pumping station land	597.50
Pumping station building	125.00
Purification building	20.40
General building	376.74
Wells	4,981.05
Pumping equipment	4,203.40
Purification system	1,496.79
Transmission mains	531.09
Distribution mains	47,606.81
Distribution reservoirs	7,883.96
Hydrants	186.92
Services	10,577.38
Meters and measuring devices	8,444.90
Subtotal	<u>96,281.94</u>
Less Donations in aid of construction	100.00
Subtotal	<u>96,181.94</u>
Less accrued depreciation	5,481.89
Plus net retirements	<u>1,248.20</u>
Subtotal	<u>91,948.25</u>
Plus nonoperating properties	<u>9,448.32</u>
Total	<u>\$101,396.57</u>

Exhibit 3 shows the operating revenues of the properties for the twelve months ended October 31, 1943 at \$11,668.10 and the operating expenses, including depreciation and taxes, at \$8,976.51, leaving net operating revenues of \$2,691.59. A general description of the properties is contained in the agreement of sale.

Coast Counties Gas and Electric Company has agreed to sell the properties to Monterey Bay Water Company for \$40,000, subject to the adjustments mentioned in Exhibit A. It is estimated that the adjustments will, if the purchase agreement is consummated on December 31, 1949, result in the payment of \$517.33 by Coast Counties Gas and Electric Company to the purchasers. While the purchase price is \$61,396.57 less than the cost of the properties to Coast Counties Gas and Electric Company, it estimates that through this sale it can, under the law, effect a tax saving of \$50,197.84 and that its net loss will be \$11,198.73.

Charles Grunsky, Chief Engineer for Coast Counties Gas and Electric Company, testified that the company is engaged primarily in the operation of gas and electric properties and that the operation of a small water system such as the Soquel-Capitola injects an unproportionate amount of work on the staff of the company. It is for this reason that the company desires to sell the Soquel-Capitola water properties. Operation of the properties, if acquired by the Monterey Bay Water Company, will be under the direct management of George W. Cooper, who is now, and for some years past has been, the operating manager of the Aptos public utility water properties. The purchasers will pay cash for the properties. They will continue in effect the rates now on file by Coast Counties Gas and Electric Company.

No one appeared at the hearing to protest the granting of this application.

O R D E R

A public hearing having been held on the above-entitled matter and the Commission having considered the evidence submitted at such hearing and it being of the opinion that this application should be granted, subject to the provisions of this Order, therefore,

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company be, and it is hereby, authorized to sell, assign and transfer, on or before April 1, 1944, to Monterey Bay Water Company, a partnership consisting of James A. Harris, Jr. and George W. Cooper, its Sequel-Capitola water properties, more particularly described in the agreement filed in this application as Exhibit A, said sale, assignment and transfer to be made pursuant to the terms and conditions of said agreement.

IT IS HEREBY FURTHER ORDERED that upon the sale, assignment and transfer of said properties Coast Counties Gas and Electric Company is relieved of its obligation to render public utility water service in the area now served by it by means of the properties which it is herein authorized to sell, assign and transfer to said Monterey Bay Water Company.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the condition that the consideration paid for said properties by said Monterey Bay Water Company shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or for any purpose other than the transfer herein authorized.

IT IS HEREBY FURTHER ORDERED that within sixty (60) days after the sale, assignment and transfer of said properties to said Monterey Bay Water Company it shall file with the Railroad Commission a copy of the deed, together with a copy of any other instrument by which it or said James A. Harris, Jr. and George W. Cooper hold title to said properties, and shall also file with the Railroad Commission a statement showing the actual consideration paid for said properties and the items that make up said actual consideration.

IT IS HEREBY FURTHER ORDERED that said Monterey Bay Water Company or said James A. Harris, Jr. and George W. Cooper shall file in quadruplicate with the Commission, within twenty (20) days after the acquisition of said properties, rates for water service in the Soquel-Capitola area, which rates shall not in any particular be higher than those now charged by Coast Counties Gas and Electric Company, and shall also file with the Commission four sets of rules and regulations in conformity with the Commission's requirements.

IT IS HEREBY FURTHER ORDERED that said Monterey Bay Water Company or said James A. Harris, Jr. and George W. Cooper shall, within sixty (60) days after they acquire said Soquel-Capitola properties, file with the Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, on which shall be delineated by appropriate markings the territory to which service will be furnished.

IT IS HEREBY FURTHER ORDERED that the authority herein

granted will become effective upon the date hereof.

Dated at San Francisco, California, this 7th day
of December, 1943.

Francis A. Havenner

J. H. Baker

Justin J. Casper

James H. Baker

Francis Owen

Commissioners