

Decision No. 38507

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PUBLIC UTILITIES CALIFORNIA CORPORATION )  
for authority to sell and transfer its )  
water system in Crescent City, California, )  
and surrounding territory to CRESCENT CITY ) Application  
WATER COMPANY, a corporation, and of ) No. 27124  
CRESCENT CITY WATER COMPANY for authority )  
to acquire and operate said system, and to )  
execute a promissory note secured by deed )  
of trust on said system in payment of a )  
portion of the purchase price. )  
----- )

**ORIGINAL**

BY THE COMMISSION:

**O P I N I O N**

This is an application for an order of the Railroad Commission authorizing Public Utilities California Corporation to sell and transfer its water system in Crescent City and surrounding territory to Crescent City Water Company, subject to the terms and conditions of the agreement on file as Exhibit A, and authorizing Crescent City Water Company to execute a deed of trust and chattel mortgage and issue a note in the principal amount of \$25,000.

Public Utilities California Corporation for many years has been engaged, among other things, in the operation of a public utility water system in and about Crescent City, Del Norte County, serving at present about 600 consumers. For the last three years it has reported its revenues and expenses as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net</u>
1943	\$14,336.63	\$11,595.59	\$2,741.04
1944	14,957.23	11,411.98	3,545.25
1945-to Oct.31	14,117.19	14,525.52	408.33*

\* Loss in 1945

The company reports the cost of its water properties in Crescent City and vicinity at \$98,257.69 and its depreciation reserve applicable to such properties at \$37,639.88.

Formerly the company operated other water and electric systems in Del Norte County but from time to time disposed of its other holdings. The water system referred to herein is its sole remaining utility property in said county and it desires to dispose of said system and retire from business in that locality. The records of the Commission show that earlier in 1945 the company entered into an agreement to sell the water system, for \$35,000, to the City of Crescent City but that the voters rejected a proposed bond issue by the city to acquire the properties. (Application No. 26937.)

The company has now entered into an agreement to sell the water system, for \$30,000, to Crescent City Water Company, a new corporation, upon condition, among others, that the transaction is closed on or before December 28, 1945. Of the total purchase price the new corporation has agreed to pay \$5,000 in cash. The balance is to be represented by a note in the principal amount of \$25,000, payable in annual installments of \$2,500 or more commencing July 1, 1947, with interest on unpaid balances at the rate of 4% per annum. The payment of said note will be secured by a deed of trust and chattel mortgage. A copy

of the proposed note has been filed as Exhibit B. A copy of the proposed deed of trust and chattel mortgage was filed on December 7, 1945.

The new corporation, so we are informed, intends at a later date to file an application for authority to issue stock to finance permanently the purchase of the properties. The agreement obligates it to make additions, replacements and improvements to the water system in the calendar year 1946 costing at least \$1,500. Otto E. Never, its principal stockholder, will be its president and manager.

The agreement provides that all refundable consumers' deposits shall be delivered to the new corporation and by it returned in due time to the depositors.

#### ORDER

The Commission has considered this matter and is of the opinion that a public hearing is not necessary and that the requests of applicants should be granted, as herein provided. The Commission is of the opinion that the money, property or labor to be procured or paid for through the issue of the note is reasonably required by Crescent City Water Company for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Public Utilities California Corporation, after the effective date of this order and on or before February 28, 1946,

may sell and transfer the water system referred to herein, to Crescent City Water Company, and Crescent City Water Company may acquire said system, such sale and transfer to be in accordance with the terms and conditions of the agreement of December 3, 1945, filed in this proceeding as Exhibit A.

2. Crescent City Water Company, after the effective date hereof and on or before February 28, 1946, may execute a deed of trust and chattel mortgage in, or substantially in, the same form as that filed with the Commission in this proceeding on December 7, 1945, and may issue a note in, or substantially in, the same form as that filed in this proceeding as Exhibit B, for the purpose of financing in part the cost of acquiring the water system referred to herein.

3. If Crescent City Water Company acquires said system it shall file with the Commission, to be effective upon the date it acquires said system, four copies of the schedule of rates for water service furnished by said system, which rates shall not be higher in any particular than the applicable rates now on file.

4. If Crescent City Water Company acquires said system it shall file, on or before March 1, 1946, four sets of rules and regulations applicable in, and in the vicinity of, Crescent City, each set of which shall contain a map or sketch drawn to an indicated scale on sheets approximately 8½ x 11 inches in size, delineating thereon in distinctive markings the boundaries of the present service area and the location thereof with reference to the surrounding territory, it being understood, however, that

the filing of such a sketch shall not be construed as conclusive determination of the area dedicated.

5. If Crescent City Water Company acquires said system it shall file, on or before March 1, 1946, four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, delineating the area served in, and in the vicinity of, Crescent City and its location with reference to the source of supply and the surrounding territory. Such a map shall show the source and date thereof and include data to determine clearly the location of the various properties comprising the service area.

6. The authority herein granted to issue a note will become effective when Crescent City Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.

7. Public Utilities California Corporation shall file with the Commission, within fifteen (15) days after the transfer of said water system, a certified copy of each instrument executed to convey said system to Crescent City Water Company, and a statement indicating the exact date upon which it relinquished possession of said system.

8. Crescent City Water Company shall file with the Railroad Commission within fifteen (15) days after the transfer of said water system, a copy of the note and a copy of the deed of trust and chattel mortgage executed under the authority herein granted.

9. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

Dated at San Francisco California, this 14<sup>th</sup> day of December, 1945.

Harold C. Johnson

Frank W. Clark

Isaac F. Sweet

Harold P. Hull

Commissioners

