

ORIGINAL

Decision No. 40619

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SANTA ROSA WATER WORKS and the
CITY OF SANTA ROSA to sell public
utility property.

} Application
No. 28609

Bacizalupi, Elkus & Salinger
by Charles Elkus Jr. for Santa Rosa Water Works;
John H. Moscovitz, City Attorney for City of Santa Rosa

O P I N I O N

In this application, Santa Rosa Water Works asks permission to sell to the City of Santa Rosa all of its properties except its cash, accounts receivable, other than those due from consumers, claims, or choses in action held by the Company against any person whatsoever, and insurance policies, including any unearned premiums thereon. The Company also asks permission to withdraw from the business of a public utility.

Santa Rosa Water Works owns and operates a water system serving industrial, commercial, domestic and irrigation users in the City of Santa Rosa and in territory adjacent thereto. As of July 31, 1947 the Company had 2,210 consumers of which 828 reside within the city limits of Santa Rosa.

The Company, as of May 31, 1947 reports its assets and liabilities as follows:

<u>Assets</u>	
Property, plant and equipment in service	\$457,793.70
Cash on hand and in banks	13,426.41
Accounts receivable, Due from consumers and agents	7,770.96
Non-operating fixed capital	7,530.00
Material and supplies	16,022.99
Prepaid taxes	145.51
Discount on capital stock	17,500.00
Construction work in progress	<u>15,773.78</u>
Total assets	<u>\$535,963.35</u>

<u>Liabilities</u>	
Common capital stock	\$175,000.00
Notes payable - secured	26,000.00
Notes payable - unsecured	20,000.00
Accounts payable, Audited vouchers and wages unpaid	\$10,576.41
Consumers deposits	2,140.18
Miscellaneous accounts payable	<u>96.11</u>
	12,812.70
Interest accrued	287.70
Taxes accrued	7,856.55
Consumers advances for construction	98,547.13
Donations in aid of construction	10,563.64
Reserve for depreciation	113,787.15
Corporate surplus unappropriated	<u>71,108.48</u>
Total liabilities	<u>\$535,963.35</u>

The City of Santa Rosa does now and for many years last past has maintained and operated a municipal water system. On March 10, 1947, the Company granted to the City of Santa Rosa an exclusive and irrevocable option for a period of eight (8) months to purchase from the Company all of the Company's lands, water rights, dam, reservoir, tanks, pipe lines, meters, franchises, rights of way, licenses and easements, leases, distribution system and all other property of the Company, real, personal or mixed, situated in the County of Sonoma, State of California, including the Company's accounts receivable due from consumers, excepting, however, the Company's cash, accounts receivable, other than those due from consumers, claims, or choses in action held by the Company against any person whomsoever, and insurance policies, including any unearned premiums thereon.

Exhibit "C" shows that the City has exercised its option. It agrees to pay the Company for its properties, \$220,000.00, plus an amount equal to the actual cost to the Company of all net additions to its plant or system between December 31, 1946 and the date of the option, plus an amount equal to the actual cost to the Company of all net additions to its plant or system between the date of the option and seven (7) days prior to the closing date, provided that all such net additions except meters, services and extensions required to be made by the Company under its obligations as a public utility, between the date of the option and a date seven (7) days prior to the closing date shall have been submitted to and approved by the City's Manager prior to their installation, or the incurring of any expense in connection therewith, plus all consumers' advances repaid or cancelled by the Company subsequent to December 31, 1946, less a sum equal to all consumers' advances received by the Company subsequent to December 31, 1946, and plus or minus an amount equal to the proper proration as of the closing date of the County, City and District real and personal property taxes and rents on any properties leased by the Company as lessor or lessee; plus an amount equal to ninety percent of the face amount of the Company's accounts receivable due from consumers. The City assumes the obligation of the Company to pay all consumers' deposits held by the Company on the closing date, when and as the same become due and payable. The City further assumes the obligation of the Company as of the closing date to pay, after the closing date to all persons who have made consumers' advances to the Company. Such payments are to be made in accordance with the terms and conditions of the respective agreements or receipts given by the Company for each such consumers' advance.

Reference is here made to the option agreement for the specific terms and conditions under which the Company is selling its properties to the City of Santa Rosa.

At a special election held in the City of Santa Rosa on May 8, 1947, the electors authorized a \$440,000.00 bond issue for the purpose of acquiring the Company's properties and for acquiring, constructing and completing such other works, property or structures as may be necessary or convenient to consolidate, unify or improve the Santa Rosa Municipal Water Works.

The testimony shows that at times, neither the City nor the Company have had an adequate water supply. The City depends for most of its supply on wells, while the Company obtains most of its supply from Santa Rosa Creek. By combining the two systems, a shortage on one system can be overcome by drawing water from the other system. The testimony further shows that the City will charge for residential service outside the City boundaries, approximately the same rates now charged by the Company. The Company's consumers residing in the City will be charged the same residential rates as are now charged by the municipal system. They are lower than the Company's rates. For commercial service the City's rate will be the same inside and outside the City boundaries.

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

O R D E R

A public hearing having been held on the above entitled application by Examiner Fankhauser and the Commission

having considered the evidence submitted at such hearing and it being of the opinion that this application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Santa Rosa Water Works may, after the date hereof and on or before October 31, 1947, sell and transfer its public utility water properties to the City of Santa Rosa, such sale and transfer to be made pursuant to the terms and conditions of the option agreement on file in this application as Exhibit 5.

2. Upon the sale and transfer of its properties to the City of Santa Rosa, Santa Rosa Water Works is relieved from its obligation to supply water as a public utility.

3. Within thirty (30) days after the sale and transfer of its properties to the City of Santa Rosa, Santa Rosa Water Works shall advise the Commission of the date of the sale of its properties to the City of Santa Rosa and of the date when said City of Santa Rosa began to operate said properties.

4. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

Dated at San Francisco, California, this 19th day
of August 1947.

Harold P. Kula

John M. Powell

R. Z. Anderson

Commissioners