

Decision No. 42289

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ARENAL WATER COMPANY, a corporation, for an order (a) approving certain agreements with William Kent Estate Company, a corporation, to wit, a leasing agreement, an agreement of conditional sale for certain water pipe, and an agreement for the purchase of water from said William Kent Estate Company, said agreements being dated the 27th day of September, 1948, and (b) authorizing said Arenal Water Company to execute said agreements.

ORIGINAL

Application No. 29790

O P I N I O N

Arenal Water Company, a corporation, is a public utility engaged in the business of distributing and selling water in and about Stinson Beach in Marin County. In this proceeding authority is requested to execute certain agreements with William Kent Estate Co., a California corporation.

William Kent Estate Co. has large land holdings bordering the ocean in the Stinson Beach area, including Bolinas Sand Spit and certain ranch lands contiguous to the utility's service area. Portions of these lands, including Seadowns and the Bolinas Sand Spit, already have been subdivided. The Estate Co. now has a small water system supplying the Seadowns District and is enlarging its water supply and distribution facilities to provide water service for its other properties. Negotiations by and between said Estate Co. and Arenal Water Company have been concluded in three agreements, which will result in the Estate Co. withdrawing from the water business in this territory and selling and leasing certain of its water supply and distribution facilities to Arenal Water Company, which then will

be the sole water distributing medium in this general area. These transactions will eliminate some duplication of plant and facilities and at the same time will provide a greatly augmented water supply.

The principal agreement, a copy of which is on file in this application, obligates the Estate Co. to construct two interconnected wooden water tanks of 30,000-gallon storage capacity each, and install certain four-inch pipe lines mentioned in the agreement. It also obligates the Estate Co. to interconnect its system with that of the Arenal Water Company system at the locations mentioned, and requires Arenal Water Company to construct a certain four-inch pipe line. The agreement is subject to and contingent upon obtaining the authority of this Commission to permit Arenal Water Company to extend service to the Estate Co. properties described in the agreement. In this connection the Commission has issued this day its Supplemental Order in Application No. 28482 and in Case No. 4898, removing the restrictions heretofore imposed upon Arenal Water Company in regard to the extension of public utility water service to certain lands of William Kent Estate Co.

The Estate Co. and Arenal Water Company propose to enter into a lease covering the two tanks to be constructed by the Estate Co., together with the pipe line from the tanks to certain water sources in the South Fork of Black Canyon and all water sources in said South Fork of Black Canyon. A copy of the lease is attached to the main agreement as Exhibit "B". The lease is for a term of ten years beginning January 1, 1949, and ending December 31, 1958, and thereafter from month to month, with the right of either party to terminate the lease upon six months' notice to the other party. As rental for the tanks, intake facilities and water sources in said South Fork of Black Canyon, Arenal Water Company agrees to pay a sum of 7½ cents per 100 cubic feet for all water withdrawn from the tanks during the period from May 1 to November 30 in each year, and five cents per 100 cubic

feet for all water used during the period from December 1 to April 30 in each year, with a minimum yearly rental of \$350, payable quarterly in advance.

The Estate Co. proposes to sell to Arenal Water Company the pipe lines which it now owns or will construct in the Stinson Beach area in accordance with the terms of the conditional sale agreement attached to the main agreement as Exhibit "A". The sale price is \$11,751, made up of the following items:

(a) Actual cost to seller of 4,000 feet of water mains now in place on sandspit and along Calle del Arroyo	\$ 4,250
(b) Charge by seller to purchaser of two-inch water mains serving Seadowns vicinity	1
(c) Estimated cost of proposed water mains - not including pipe line from tanks to South Fork of Black Canyon	<u>7,500</u>
Total	11,751

The agreement provides that the Arenal Water Company shall pay to the Estate Co. 35% of the gross sales of water made through any and all service connections from the completed or proposed water mains for a period of ten years from and after January 1, 1949, or until the purchase price has been paid in full, if such payment in full shall have been completed prior to the expiration of the ten-year period. Title to the water mains will remain in the Estate Co. until the purchase price is paid in full, or until 35% of all the gross sales shall have been paid by Arenal Water Company to the Estate Co. for a period of ten years from January 1, 1949, whichever event shall first occur.

It occurs to us that the conditional sale agreement is an evidence of indebtedness coming within the provisions of Section 52 of the Public Utilities Act. The money, property or labor to be procured or paid for through the execution of said conditional sale agreement is reasonably required by Arenal Water Company for the purpose of acquiring the property described in said agreement.

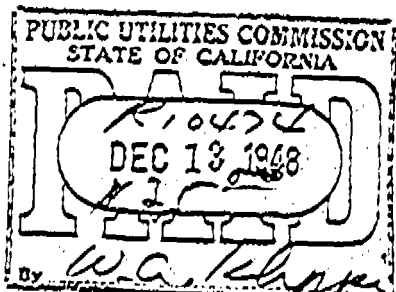
Under the terms and conditions of the three agreements to which reference has been made, Arenal Water Company will acquire certain properties of the Estate Co., will lease others, and interconnect the properties with its properties and assume the duty and obligation of supplying water throughout the entire area as a public utility service. It appears that this is not a matter on which a public hearing is necessary, that the authority requested is in the public interest, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Arenal Water Company may, after the effective date hereof and on or before March 31, 1949, execute agreements in, or substantially in, the form of the agreements on file in this application, said agreements pertaining to the purchase and lease of certain water facilities and the service of water to certain lands described in said agreements, said agreements to be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.
2. The action taken herein shall not be construed to be a finding of the value of the properties mentioned in said agreements.
3. The authority hereby granted will become effective when Arenal Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act.
4. Within thirty (30) days after the execution of said agreements, Arenal Water Company shall file with the Commission a certified copy of each agreement executed under the authority herein granted.

Dated at San Francisco, California, this 7th day of

December, 1948.



[Signature]
Justice J. Calves
[Signature]
Commissioners.