

ORIGINAL

Decision No. 45932

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)
 Southern California Water Company for an)
 Order authorizing it to Sell, Transfer) Application No. 32468
 and Convey Certain Properties to the City)
 of Los Angeles and the Department of Water)
 and Power of the City of Los Angeles.)

O'Melveny & Myers, by James M. Irvine, Jr.,
 for applicant; Joseph F. Bosio, Deputy City
 Attorney, for City of Los Angeles and for
 Department of Water and Power of the City of
 Los Angeles..

O P I N I O N

Southern California Water Company, a corporation, engaged in the business of producing, distributing, and selling water for domestic, commercial, industrial and municipal purposes, in Los Angeles County, San Bernardino County, and Sacramento County, asks the Commission for authority to sell certain of its properties, located within the City of Los Angeles and in Los Angeles County, to the City of Los Angeles, a municipal corporation and the Department of Water and Power of the City of Los Angeles.

The application alleges that the Department of Water and Power of the City of Los Angeles is seeking to extend municipal water service to all inhabitants of the city and as a result of negotiations between the company and the department, the city has offered to purchase portions of the company's property located within the city limits, together with certain portions of the system located outside but adjacent to the city

limits, for the base price of \$3,060,000. The copy of the agreement of sale dated June 8, 1951, is attached to the application and marked Exhibit "B".

A public hearing in this proceeding was held in Los Angeles before Commissioner Huls and Examiner Stava.

The record shows that the Department of Water and Power of the City of Los Angeles is seeking to supply municipal water service to all residents within the city limits, pursuant to a resolution of the Board of Water and Power Commissioners dated November 14, 1946. Applicant herein owns and operates several water systems within the city, and as a result of negotiations between applicant and the department, the city has offered to purchase these properties for the base price of \$3,060,000 which the company has accepted. This price covers the company's properties as of December 31, 1949, but the contract provides for adjusting the price in accordance with additions and retirements made between the above date and the date of transfer to the city. The properties to be transferred, the basic price for each system, and the estimated total selling price to be paid at the time of transfer are shown as follows:

<u>Name of System</u>	<u>Basic Price</u>	<u>Estimated Total Selling Price</u>
Sunland-Tujunga System	\$ 723,000	\$ 857,900
Venice-Culver City-Palms System	1,656,000	1,750,900
Central District System	645,000	648,900
Gardena-Lawndale System	<u>36,000</u>	<u>56,100</u>
	\$3,060,000	\$3,313,800

The undepreciated fixed capital installed, the gross revenue derived from the water delivered, and the number of consumers served, as of December 31, 1950, for the systems to

be transferred, as compared with similar information for all of the company's water properties is shown as follows:

	<u>Water Properties to be Transferred</u>	<u>All of Company's Water Properties</u>
Fixed Capital	\$3,961,350	\$16,477,300
Gross Revenues	\$ 724,583	\$ 2,528,076
Number of Consumers	19,378	91,280

A witness for the company testified that due to the lowering water table the company was confronted with a difficult water supply problem in the communities served by the systems being sold. This witness further testified that the city has some mains installed in each of these communities; that the city has a sufficient supply of water; that it is capable of providing adequate service to the consumers on the systems being transferred, and that the sale of the properties will relieve the demand for water on the existing wells and increase the supply to that extent for the properties being retained.

The company's witness also testified that the proceeds received from the sale of its properties would be used to pay off outstanding bank loans of \$1,200,000, to finance approximately \$400,000 in additions to its 1951 construction program, and to meet the cost of improvements of its properties and the acquisition of other water systems. This witness also stated that the company expects to meet its interest and dividend requirements for the year 1951, and indications are that it will continue to meet its fixed charges and dividends. While it has applications on file for increases in rates for five of its systems, these requests were not made as a result of the sale of the properties herein. Applicant stated that these systems were not earning a fair return on the investment in the properties and the company desires to have each system on a fair earning basis.

No protest was made to the proposed sale of properties involved herein.

Under the circumstances it appears that it will not be adverse to the public interest that the authority sought to transfer the systems be granted.

The company requested that the effective date of the order made by the Commission in this proceeding, be made as of the date that the authority herein requested is granted, in order that the proposed transfers may be made immediately as planned, and thereby avoid any possibility of water shortages resulting from heavy demand during the hot weather period. It appearing that it is in the public interest to grant the company's request, the following order will be made effective as of the date hereof.

O R D E R

The above-entitled application to sell public utility property having been filed with this Commission, a public hearing having been held, and the matter submitted for decision and the Commission being fully advised in the premises,

IT IS HEREBY ORDERED that Southern California Water Company, a corporation, may on or after the effective date hereof, but on or before December 31, 1951, sell and transfer the herein described public utility properties to City of Los Angeles, a municipal corporation, and the Department of Water and Power of the City of Los Angeles, pursuant to the agreement of sale and purchase attached to the application

marked Exhibit "B" and by reference made a part hereof, subject, however, to the following conditions:

1. On or before the date of actual transfer, Southern California Water Company, a corporation, shall refund all deposits which consumers are entitled to have refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of the City of Los Angeles, a municipal corporation, and the Department of Water and Power of the City of Los Angeles.
2. Southern California Water Company, a corporation, shall file with this Commission, within sixty (60) days after the date of the sale of said properties, a copy of each and every book entry recording the sale thereof.
3. Within sixty (60) days after the execution of a deed transferring the aforesaid properties to the City of Los Angeles, a municipal corporation, and the Department of Water and Power of the City of Los Angeles, Southern California Water Company, shall file with this Commission a certified copy of such deed.
4. Southern California Water Company, a corporation, within sixty (60) days after the date of the sale of said properties, shall file with this Commission a statement showing the date when it ceased to supply the various areas within which the systems described herein are being authorized to be sold.
5. The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

The authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California, this 10th day of July, 1951.

A. E. Zimmerman
James F. Caesler
Harold P. Kula
John E. Mitchell

Commissioners.