

**ORIGINAL**Decision No. 51671

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 WILLIAM D. BROWN for an order approv- )  
 ing the sale and transfer of the )  
 water system known as "KENWOOD VILLAGE )  
 WATER COMPANY" to JAMES J. DOWNEY, who )  
 joins in said application. )

Application No. 36835

OPINION AND ORDER

By this application filed March 26, 1955, William D. Brown<sup>1</sup> seeks authority to sell, and James J. Downey<sup>2</sup> to purchase, the water system known as Kenwood Village Water Company which serves residents of a subdivision known as Kenwood Village, near Kenwood, Sonoma County.

The property proposed to be transferred consists of a parcel of land, a well and pumping plant, the facilities constituting the distribution system and certain rights of way. The land is more particularly described in the agreement of sale which is attached to the application as Exhibit "A". Also to be transferred is a well located in the western portion of Kenwood Village subdivision, together with an area of 2,500 square feet of land surrounding said well. Seller is to deliver to Buyer a deed to said well and land, upon completion of the survey of that portion of the subdivision, by not later than one year from March 24, 1955, the date of the agreement of sale, Exhibit "A".

The terms of the proposed agreement provide that the properties will be transferred for the payment of a sum equal to 35 per cent of the gross revenues to be derived from customers within the

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1 Sometimes hereinafter called Seller.

2 Sometimes hereinafter called Buyer.

subdivision for a period of 10 years from the date Buyer commences operation of the system, provided, however, that the total payments shall not exceed \$11,000.

Under corresponding terms, as set forth in numbered paragraph 3 of the subject agreement, Exhibit "A", Seller agrees to install at his own cost and sell to Buyer, and Buyer agrees to purchase, extensions to the water system installed to serve additional subdivisions as they are added to Kenwood Village in the future. The total payments for such extensions are to be limited to their actual cost.

The provisions of the agreement of sale which refer to the purchase of facilities to serve future subdivisions would commit Buyer to assume obligations that would be unlimited as to cost, extent of service area, type of construction and expiration date. It would be entirely inappropriate for the Commission to authorize such terms providing for conditions which are unknown and unlimited in many respects. Further, the provisions of said paragraph 3 of the agreement are inconsistent with the utility's presently filed main extension rule which became effective by authority of Decision No. 50580 in Case No. 5501. Accordingly, in the order herein the purchase of any facilities installed to serve future subdivisions under conditions set forth in numbered paragraph 3 of the sales agreement, Exhibit "A", will not be authorized.

The original book cost of the properties of Kenwood Village Water Company is stated in the application to be \$18,472.31 as of January 1, 1955. However, the annual report for this utility for 1954, filed with this Commission on May 5, 1955, reports that the cost of the utility property on December 31, 1954 was \$11,687.50, with a reserve for depreciation amounting to \$116.88, or a depreciated book cost of utility plant of \$11,570.62 as of that date.

A certificate of public convenience and necessity was granted to William D. Brown to operate a public utility water system under the name of Kenwood Village Water Company by the Commission's Decision No. 49435, dated December 15, 1953, in Application No. 34434.

The reasons given for the proposed transfer of public utility properties are that Seller's principal occupations are the subdivision of land and the sale of irrigation pipe and he is inexperienced in the operation of water systems. The Buyer is experienced in the management of water distribution systems and currently operates several which are under this Commission's jurisdiction.<sup>3</sup>

The action taken herein shall not be construed as a finding of value of the property herein authorized to be transferred:

The Commission having considered the above-entitled application and being of the opinion that the proposed transfer will not be adverse to the public interest, that a public hearing is not necessary, that the money, property or labor to be procured or paid for through the execution of said agreement of sale, except as herein-after provided, is reasonably required by applicant; therefore,

IT IS HEREBY ORDERED as follows:

1. That William D. Brown may, on or after the effective date of this order, and on or before December 31, 1955, sell and transfer to James J. Downey the herein described public utility properties including those facilities presently installed to furnish water service in Kenwood Village Subdivision pursuant to the proposed agreement of sale, Exhibit "A", and the deed, Exhibit "B", attached to the application; except that the provisions of numbered paragraph 3 of the sales agreement, relative to the transfer of facilities to be installed to serve future subdivisions, are specifically excluded from the authority herein granted:

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<sup>3</sup> The water utilities presently owned and operated by James J. Downey are the following: Inverness Park Water Co., Penngrove Water Company, Point Reyes Water Co.; Rio Dell Water Company, Russian River Terrace Water Co.

2. That James J. Downey is authorized to incur the long-term indebtedness in the total amount not exceeding \$11,000 in accordance with the said agreement of sale.
3. That the rates and rules of William D. Brown now on file with this Commission, shall be refiled within 30 days from the date of actual transfer under the name of James J. Downey, in accordance with procedure prescribed by General Order No. 96, or in lieu of such refiling, James J. Downey may file a notice of adoption of said presently filed rates and rules. No increases in the presently filed rates and rules shall be made unless otherwise properly authorized by this Commission.
4. That on or before the date of actual transfer, William D. Brown shall refund all deposits which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund of James J. Downey.
5. That William D. Brown shall, within thirty days after the date of actual transfer, file with this Commission a verified statement showing all obligations to make refunds of consumers' advances for construction, the amounts thereof, and the names of persons or corporations in whose favor such obligations exist.
6. That on or before the date of actual transfer of the physical properties herein authorized, William D. Brown shall transfer and deliver to James J. Downey, and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties of the Kenwood Village Water Company.
7. If the authority herein granted is exercised, William D. Brown, shall, within 30 days thereafter, notify this Commission in writing of the date of such completion of the proper transfer herein authorized.
8. That upon due compliance with all the conditions of this order, said William D. Brown shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system hereinabove authorized to be transferred.

The authority herein granted to execute an agreement will become effective when James J. Downey has paid the minimum fee

prescribed in Section 1904(b) of the Public Utilities Code, which fee is \$25. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 12<sup>th</sup> day of July, 1955.

Justin J. Caswell  
 President

Paul L. ...

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Commissioners

