

Decision No. 52377

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )	
of LAKE HEMET WATER COMPANY for )	
authority to transfer public )	Application No. 37566
utility property to LAKE HEMET )	
MUNICIPAL WATER DISTRICT. )	

OPINION AND ORDER

Lake Hemet Water Company,<sup>1/</sup> a corporation, by the above-entitled application filed December 13, 1955, seeks authority to transfer its public utility properties to Lake Hemet Municipal Water District,<sup>2/</sup> which joins in the application. If such authority is granted, Applicant asks to be relieved of all further public utility obligations.

District was organized under the provisions of the Municipal Water District Act of 1911, as amended, and was incorporated on August 4, 1955. A bond issue in the amount of \$750,000, for the purpose of acquiring and improving the properties of Applicant, was approved by the voters at a special election held on September 27, 1955.

As the first step in the acquisition of the properties of Applicant and a nonutility affiliate, Fairview Land and Water Company, District has acquired all of the outstanding capital stock of those corporations. District now proposes to cause all of Applicant's assets to be transferred to District, and to take appropriate action for the dissolution of Applicant corporation.

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<sup>1/</sup> Sometimes herein called Applicant.  
<sup>2/</sup> Sometimes herein called District.

If the authority sought herein is granted, District proposes to operate Applicant's utility properties, except those properties within the limits of the City of Hemet which are to be transferred to the City for the sum of \$100,000 and thereafter are to be operated by the City as part of its municipal water system.

The application states that the territory included within District's boundaries is the same as the service area of Applicant outside of the City of Hemet, with the exception of approximately 25 customers now served by Applicant outside of District's boundaries. As provided by a resolution adopted by the board of directors of District, Exhibit C of the application, the above-mentioned customers located outside of District are to be served by District under contract at the same rates as District will charge for corresponding water service within its boundaries.

The total of consumers' deposits as of November 30, 1955, and consumers' advances as of October 31, 1955, subject to refund by Applicant, are stated to be \$1,057.37 and \$24,181.03, respectively. A detailed list of the deposits is shown on Exhibit F attached to the application, and Exhibit G sets forth a list of the consumers' advances. District, by its resolution adopted December 6, 1955, a copy of which is attached to the application as Exhibit H, agrees to assume the obligation of Applicant to refund such deposits and advances if the authorization sought herein is granted.

The reasons given for the proposed transfer are that Applicant's earnings are stated to be insufficient to enable Applicant to attract the capital needed to improve and enlarge the system, and from funds made available by the sale of its bonds District can readily finance the rehabilitation of the water system.

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

It appears that certain proposed agreements between District and those water users who are now served by Applicant on a nonutility<sup>3/</sup> basis should be consummated on or before December 31, 1955, and for this reason Applicant asks that the order of the Commission be made effective on the date of its issuance. The Commission is of the opinion, however, that Applicant's request for advancing such effective date should be modified, and that the desired purpose may be accomplished by making the effective date five days after the date hereof, as hereinafter ordered.

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, and that the application should be granted; therefore,

IT IS HEREBY ORDERED that:

1. Lake Hemet Water Company, a corporation, may, on or after the effective date hereof and on or before June 30, 1956, sell and transfer the public utility properties referred to herein to Lake Hemet Municipal Water District, substantially in accordance with the terms and conditions set forth in the application.
2. On or before the date of actual transfer, Lake Hemet Water Company shall refund all customers' deposits and advances for construction which Applicant is obligated to refund, other than such deposits and advances for which the obligation to refund has been assumed by Lake Hemet Municipal Water District, and within thirty days thereafter Applicant shall notify this Commission of the completion of such refunding.

<sup>3/</sup> Such water users are holders of certificates entitling them to certain preferential rates. The Supreme Court of California in Allen v. Railroad Commission, 179 Cal. 68 (1918), held that water furnished under these certificates was not a utility service subject to rate regulation.

- 3. If the authority herein granted is exercised, Lake Hemet Water Company shall, within thirty days thereafter, notify this Commission in writing of the date of such completion of the property transfer herein authorized and of its compliance with the conditions hereof.
- 4. That upon due compliance with the conditions of this order, said Lake Hemet Water Company shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the water system properties herein authorized to be transferred.

The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of December, 1955.

[Signature]  
 President

[Signature]

[Signature]

[Signature]

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Commissioners