

ORIGINAL

Decision No. 54881

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SUNSHINE WATER CO., and SOUTHERN)
CALIFORNIA WATER COMPANY for an)
order or orders (a) authorizing the)
sale and transfer to Southern)
California Water Company the prop-)
erties constituting the water system)
of Sunshine Water Co.; (b) author-)
izing Southern California Water)
Company to purchase said properties;)
and (c) authorizing Southern)
California Water Company to assume)
certain liabilities of Sunshine)
Water Co.)

Application No. 38792

Frederick N. Edwards of O'Melveny & Myers, for
Southern California Water Company, and
Ray M. Dennis, for Sunshine Water Co.,
applicants.

Charles W. Drake and Richard Entwistle, for the
Public Utilities Commission.

O P I N I O N

Applicant, Sunshine Water Co., is a corporation owning and operating a public utility water business in unincorporated territory of Los Angeles County south and east of the City of Whittier, California. It serves approximately 2,100 customers and holds certificates of public convenience and necessity issued by this Commission.

Southern California Water Company is a corporation owning and operating a public utility water system in certain areas of the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial, and Sacramento in the State of California. It also engages in the distribution and supplying of electricity at Big Bear Valley in San Bernardino County.

In the instant application Sunshine Water Co proposes to sell its public utility water system, including the properties and operating authorities, to Southern California Water Company. Authority is also asked to permit Sunshine Water Co. to discontinue its utility operations, to authorize Southern California Water Company to render service in the area, and to assume the liabilities of Sunshine Water Co. with respect to any and all consumers' prepayments for water service subsequent to the date of transfer and for all agreements for advances for construction.

A public hearing was held before Examiner Grant E. Syphers in Whittier on March 22, 1957, at which time evidence was adduced and the matter submitted. It now is ready for decision.

A witness for Sunshine Water Co. testified that that company has operated a public utility water system for approximately 25 years and has paid no dividends at any time during this period. At the present time it is not making a satisfactory return on its investment and is unable to get financing except on a short-term basis. Therefore, this company does not have sufficient capital to make needed improvements in the system, nor does it seem to have any prospect of acquiring a satisfactory return from the utility operations.

A witness for Southern California Water Company testified that that company is familiar with the Sunshine system and is willing and able to assume its operation. Southern California Water Company is presently conducting successful operations, and it now has made arrangements to secure a water supply from the Metropolitan Water District, which district will make available 4,500 gallons of water per minute. In order to secure this

supply this year it is necessary for Southern California Water Company to make an immediate deposit of \$11,000 with the Metropolitan Water District so that a turn-out structure can be constructed at a point where the line of the Metropolitan Water District crosses the service area of Sunshine Water Co.

Exhibit No. 1 sets out the capital expenditures which will be made by Southern California Water Company for improvements in the system, should the purchase be approved. According to the testimony Southern California Water Company has cash on hand with which to make these improvements.

The rates proposed to be charged are the same as those now being charged by Sunshine Water Co., although it is contemplated that the rules of Southern California Water Company will be used.

Sunshine Water Co. now has three employees who will be taken over by the purchaser and will be retained by that company should their work prove satisfactory.

The purchaser intends to operate the company by using a water supply from Metropolitan Water District which at the present time will amount to approximately 1,350 gallons per minute. This water will be mixed with water from the wells of Sunshine Water Co.

It should be noted that by Decision No. 53521, dated July 31, 1956, in Case No. 5679, Sunshine Water Co. was ordered to provide no service to any new customers or to any additional subdivisions outside of its present service area unless and until otherwise ordered by the Commission, and to take certain steps to prevent a water shortage during the summer of 1956. This decision was interim in nature and was issued as a result of a complaint filed against Sunshine Water Co. by approximately 52 users of the water service. At the hearing the representative of

Southern California Water Company requested that the restrictions of this interim order, Decision No. 53521, be lifted.

In the event that the sale and transfer of the public utility property hereinafter authorized are consummated, upon proper and sufficient showing by the purchasing utility, Southern California Water Company, that the inadequate and insufficient service of the selling utility, Sunshine Water Co., have been satisfactorily remedied by the substantial completion of installation of the proposed improvements described in Exhibits Nos. 1 and 2 of this proceeding, or otherwise, the Commission will issue such further order in Case No. 5679 as circumstances may then warrant.

The record shows that notice of the hearing in the present proceeding was properly published, but there were no objections to the application at the hearing.

Since the proposal was without opposition and in accordance with the testimony presented, we now find that it would not be adverse to the public interest to permit the proposed sale. The purchase price is set out in the application as a basic price of \$152,500, which figure is subject to adjustment according to the amount of property added after August 31, 1956, the cost of work in progress after that date, advances in aid of construction received after that date, adjustments for materials and supplies, operating property retired and depreciation accruing after August 31, 1956. Both parties testified that this price was agreeable.

It should be noted that the record contains the financial statements of each of the parties hereto.

The order herein will authorize the transfer from Sunshine Water Co. to Southern California Water Company of the

four certificates of public convenience and necessity granted to Sunshine Water Co. by the Commission in its Decision No. 19836, dated May 28, 1928, in Application No. 14612; Decision No. 30566, dated January 31, 1938, in Application No. 21647; Decision No. 45361, dated February 13, 1951, and Decision No. 46177, dated September 4, 1951, both in Application No. 31947; and Decision No. 48298, dated February 24, 1953, in Applications Nos. 33739 and 33877. Notice is taken of the provision in the agreement for the purchase and sale between the parties whereby the franchise granted by Los Angeles County Ordinance No. 1448 is to be transferred to Southern California Water Company.

The certificates of public convenience and necessity authorized to be transferred herein are subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or these certificates of public convenience and necessity or the right to own, operate or enjoy such franchise or certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificates of public convenience and necessity or right.

The authority herein granted is not to be construed as being indicative of amounts to be included in a future rate base of Southern California Water Company for the purpose of determining just and reasonable rates, nor as a finding of value of the properties herein authorized to be transferred.

O R D E R

Application as above entitled having been filed, public hearing having been held thereon, the Commission having been fully

advised in the premises and having found the proposal to be not adverse to the public interest, and good cause appearing,

IT IS ORDERED:

1. That on or after the effective date hereof, and on or before August 30, 1957, Sunshine Water Co. may sell and transfer the public utility property referred to herein to Southern California Water Company, pursuant to the agreement for the purchase and sale of property, a copy of which was attached to the application, and may execute a deed and bill of sale substantially in the same form and content as the copy thereof attached to the application as Exhibit B.
- 2.a. That on the date of acquisition of the properties of the Sunshine Water Co. by the Southern California Water Company, the four certificates of public convenience and necessity granted to Sunshine Water Co. by the Commission in its Decisions Nos. 19836, 30566, 45361 and 46177, and 48298, as referred to in the foregoing opinion, be, and they are transferred to Southern California Water Company.
- b. That Southern California Water Company, on and after the date of acquisition, is authorized and directed to charge, in the territory acquired under the authorization herein granted, the rates presently being charged by Sunshine Water Co. and to apply in said territory its own rules now being on file with the Commission.
- c. That Southern California Water Company, if it acquires the properties herein referred to and as described in the application and the exhibits attached thereto, shall, within thirty days thereafter, file the rates authorized herein, and shall revise its presently effective tariff schedules to provide for the application of its rules and said rates in the service area being acquired herein, together with a revised tariff service area map, all in accordance with the procedures prescribed by General Order No. 96. Such rates and revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
- 3.a. That on or before the date of actual transfer of Sunshine Water Co.'s. properties to Southern California Water Company, Sunshine Water Co.

shall refund all deposits which the seller is obligated to refund. Any unrefunded deposits shall be transferred to and become the obligation for refund by Southern California Water Company.

- b. That Sunshine Water Co. shall, prior to the date of actual transfer, file with this Commission a verified statement showing all obligations to make refund of advances for construction, the amounts thereof and the names of persons or corporations in whose favor such obligations exist. A copy of such statement shall be served by Sunshine Water Co. upon Southern California Water Company prior to the time of filing said statement with the Commission and proof of service thereof shall be filed with said statement. Unless Sunshine Water Co. discharges its obligation to make refund of advances for construction, prior to the actual transfer of the public utility properties herein concerned, such obligation shall devolve upon Southern California Water Company pursuant to paragraph 10 of Exhibit A attached to the application and the condition hereinafter prescribed. As a condition to the grant of authority, herein, the Commission hereby finding that the public interest so requires, Southern California Water Company shall assume and become obligated to discharge each and every lawful obligation of Sunshine Water Co. to make refund of advances for construction, according to the terms and conditions thereof, and the purchase by Southern California Water Company of the herein concerned public utility properties shall be deemed an acceptance by it of the foregoing condition and agreement thereto.
4. That on or before the date of actual transfer of the properties herein authorized, Sunshine Water Co. shall transfer and deliver to Southern California Water Company, and the latter shall receive and preserve all records, papers and memoranda pertaining to the construction and operation of the properties of the seller's water system.
5. That upon acquisition of the properties of Sunshine Water Co. herein authorized to be transferred, Southern California Water Company shall review the depreciation accruals pertaining thereto, using the straight-line remaining life method, and shall submit the results of that review to this Commission within ninety days

after the date of such acquisition. Thereafter, Southern California Water Company shall include the Sunshine Water Co. properties in the depreciation reviews which it regularly submits to this Commission for its other properties.

6. That if the authority herein granted is exercised, Sunshine Water Co. and Southern California Water Company shall each, within thirty days thereafter, notify this Commission, in writing, of the date of such completion of the property transfer herein authorized and of their compliance with the conditions hereof.
7. That compliance with all outstanding orders of this Commission pertaining to the public utility operations of Sunshine Water Co., in so far as they may be still applicable and which are not in conflict with the provisions of this order, with particular reference to, but not limited to, Decision No. 53521, dated July 31, 1956, in Case No. 5679, shall become the responsibility of Southern California Water Company on the date of its acquisition of the utility properties of Sunshine Water Co. herein authorized.
8. Upon due compliance with all of the conditions of this order, Sunshine Water Co., a corporation, shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the water utility property herein authorized to be transferred.

It appearing that this matter should be expedited in the public interest, that it is necessary for Southern California Water Company to deposit \$11,000 immediately with the Metropolitan Water District so that a turn-out structure can be constructed at a point where the line of said District crosses the service area of Sunshine Water Co., and that this connection is required to insure the availability of the supplemental source of water needed to meet

customers' present requirements in said area, the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 22nd day of April, 1957.

[Signature]
President
[Signature]
[Signature]

Commissioners

Rex Hardy
Commissioner S. C. Lyn Fox being necessarily absent, did not participate in the disposition of this proceeding.