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Decision No. 55480

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ADA H. MARCH, sole owner,)
doing business as the IVANHOE)
WATER CO., and the IVANHOE PUBLIC)
UTILITY DISTRICT, for an order)
authorizing the lease by said)
Ivanhoe Water Co. of the facili-)
ties, with an option to purchase)
to the IVANHOE PUBLIC UTILITY)
DISTRICT.)

Application No. 39125

OPINION AND ORDER

Ada H. March, doing business as Ivanhoe Water Company, by application filed June 5, 1957, seeks authority of this Commission to lease her public utility water system to Ivanhoe Public Utility District,^{1/} which joins in the application. The terms and conditions of the proposed lease are set forth in a proposed agreement, a copy of which is attached to the application as Exhibit "A".

The water system proposed to be leased is located in the Town of Ivanhoe, Tulare County. Records of the Commission indicate that the system has been in operation since prior to 1912 and at the end of 1956 served approximately 460 customers. The owners of the system have never applied for nor have they been granted a certificate of public convenience and necessity to operate a public utility water system.

The agreement provides that the term of the lease will be one year beginning on the date of approval by this Commission, and, in addition, District is to have the right of renewal each

^{1/} Sometimes herein called District.

year up to nine consecutive years. The consideration for the first year the lease is in effect is to be \$10,000 of which \$4,000 is to be paid on the date of Commission approval and the balance at the rate of \$500 per month. The same monthly rate is also to be continued during any periods for which the lease may be renewed.

Further, under the terms of the lease agreement, District is to have the option to purchase the leased water system for the sum of \$50,000. Upon the exercise of the option to purchase, the lease agreement is then to become an installment contract and the amounts theretofore paid as rental would be credited as interest on the unpaid balances and to reduce the principal.

Under the purchase option, the transfer of the subject water system might be consummated at some indefinite time in the future and under conditions not presently known. The approval of such a transaction, under terms not now before the Commission, would not be consistent with the public interest and, accordingly, will not be authorized at this time.

To eliminate the objectionable feature of the proposed contract, it is suggested that the agreement be revised to provide either specifically for the lease of the water utility for a specified term or for a transfer on the basis of terms explicitly set forth in such agreement. Such a revised agreement should be submitted by formal petition filed as a supplemental application in this proceeding.

The Commission having considered the above-entitled application and having found that the application should be denied without prejudice and basing its order upon said finding,

IT IS ORDERED that the application of Ada H. March for authority to transfer her public utility water system known as Ivanhoe Water Company be, and it hereby is, denied without prejudice.

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

Dated at Los Angeles, California, this 27th day of August, 1957.

President
Paul Waterman

R. Hardy

C. J. ...

Commissioners