

ORIGINAL

Decision No. 56183

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 RANCHO WATER COMPANY, WALTER RAWLINGS)
 and CORA RAWLINGS, husband and wife,)
 LELAND FINLEY and ELISABETH FINLEY,)
 husband and wife, and SOUTHERN)
 CALIFORNIA WATER COMPANY for an order)
 or orders (a) authorizing the sale and)
 transfer to Southern California Water)
 Company of the properties constituting)
 the water system of Rancho Water)
 Company; (b) authorizing Southern)
 California Water Company to purchase)
 said properties; (c) authorizing)
 Southern California Water Company to)
 assume certain liabilities of Rancho)
 Water Company; and (d) authorizing the)
 exercise of rights under the franchise)
 granted by Orange County Ordinance)
 No. 768.)

Application No. 38238

Hanna & Scoville, attorneys, by Richard T. Hanna, and O'Melveny & Myers, by Lauren M. Wright, for applicants.

Arlyne Lansdale and Glenn A. Lane, attorneys, for Dyke Water Company, protestant.

Martin Abramson, for the Commission staff.

O P I N I O N

Rancho Water Company, a corporation, by the above-entitled application, filed July 11, 1956, seeks authority to sell and transfer its public utility water system properties to Southern California Water Company, a corporation, in accordance with the terms of the Agreement for the Purchase and Sale of Property, dated June 22, 1956, attached to the application as Exhibit A. On September 5, 1956,

Dyke Water Company, a corporation, protested the application, and applicants replied to said protest on September 24, 1956.

Public hearings were held before Commissioner Rex Hardy and Examiner Stewart C. Warner on November 20, 1956, January 30, February 28, and December 6, 1957. At the adjourned December 6, 1957, hearing, Dyke Water Company withdrew its protest and withdrew its Application No. 38388 for a certificate of public convenience and necessity covering the five tracts constituting Rancho's certified area, viz., Tracts Nos. 1842, 2320, 2321, 2668, and 2824, in unincorporated territory of Orange County, at the S/E corner of Garden Grove Boulevard and Springdale Street.¹

General Information

Applicant, Rancho Water Company, was granted a certificate of public convenience and necessity by Decision No. 51610, dated June 28, 1955, in Application No. 36204. At the present time, applicant is furnishing water service to 420 domestic customers, and 300 houses are under construction. When applicant's service area is fully developed there will be a total of 850 customers, plus twenty acres set aside for a shopping center. All services are metered.

Exhibit No. 1 is a balance sheet of Rancho, as of October 31, 1957, and a statement of operations from January 1 to October 31, 1957. Said balance sheet shows total assets as of that date of \$183,772.25, of which \$178,030.20 represented depreciable fixed assets, with a related depreciation reserve of \$6,109.30. Land was included in said balance sheet in the amount of \$4,036.84. On the liability side, advances for construction totaled \$118,683.75. Net income for the first ten months of 1957 was \$2,899.36.

¹ By Decision No. 56029, issued December 30, 1957, said Application No. 38388 was dismissed.

Exhibit No. 2 is an unexecuted Written Consent of Shareholders to Sale of Properties, and a Certified Copy of Resolution of Board of Directors of Rancho approving and authorizing said sale.

Exhibit No. 3 is a Computation of Purchase Price of Rancho Water Company as of October 31, 1957, Based on Agreement Between Rancho Water Company and Southern California Water Company, dated June 22, 1957 (sic). Said exhibit shows the purchase price as of October 31, 1957, to be \$60,268.05.

Exhibit No. 4 is a balance sheet of Southern California Water Company, as of October 31, 1957, showing total assets of \$27,756,859, of which cash amounted to \$981,050. Also included in Exhibit No. 4 is a comparative summary of net income for the month of October 1957, the calendar year to date, and the 12 months ended October 31, 1957, showing net income for the calendar year to date in the amount of \$770,111.

Exhibit No. 5 is a statement of Southern California Water Company's water supply in its Stanton System of its West Orange District. Said exhibit shows the total number of customers, as of August 15, 1957, in the Stanton system, to be 1,358; total gallons per minute of capacity from six wells, of 2,550; and gallons per minute per customer of 1.9. All of said figures exclude Rancho's water system proposed to be acquired by Southern California, which would be additive thereto.

Rancho's water system comprises two wells with a total production capacity of 1600 gallons per minute, in which are now installed pumps with a total production capacity of between 800 and 900 gallons per minute; a 50,000-gallon concrete reservoir; 10,000- and 6,000-gallon steel pressure tanks; and 4-, 6-, and 8-inch distribution mains.

Exhibit No. 6 shows the operating personnel of Southern California Water Company in its West Orange District as of August 15, 1957.

According to testimony of the vice president, and manager of its West Orange District, Southern California Water Company is presently furnishing water service about four miles from the Rancho system to the north in its Stanton system, and about one and one-half to two miles to the west in the Rossmoor subdivision of its Los Alamitos System of its West Orange District.

The witness testified that Southern California Water Company had received approval from the Orange County Municipal Water District of an application for a Metropolitan Water District connection at Dale Street and Katella Avenue; had budgeted \$60,000 to install connecting pipelines in 1958 from this connection to its Stanton system; and planned to integrate the Stanton system with the Rancho system proposed to be acquired when it became necessary and economical.

Exhibit No. 7 is a map of Rancho's water system showing the location of the wells, and the sizes and locations of the distribution pipelines.

The record shows that Rancho's water system is an "island" water system lying between an area certificated to Dyke Water Company by Decision No. 53858, dated October 1, 1956, in Applications Nos. 37097 and 37161, and an area certificated to Southern California Water Company by Decision No. 53856, dated October 1, 1956, in Application No. 37172. Applicant, Southern California Water Company herein, in effect seeks to extend its certificated area to include the Rancho Water

Company's water system and service area. Rancho's witness, its president, testified that Rancho no longer would be able to operate its water system economically as an "island" company; that it was surrounded by Dyke Water Company and Southern California Water Company; and that it had agreed and wished to sell its water system to Southern California Water Company because the latter could operate Rancho's system economically as a part of Southern California Water Company's larger service area and sphere of operations.

The record shows that since the filing of the instant application, the parties thereto, Walter Rawlings and Cora Rawlings, husband and wife, who originally were part owners of Rancho's water system, have transferred and sold all of their interest in said water system to Rancho Water Company, the corporation, and applicant herein. All water system properties are now owned by the applicant Rancho.

No change in Rancho's rates for water service is proposed in the instant application.

Findings and Conclusions

The Commission has considered this application, is of the opinion, and finds and concludes that the proposed transfer will not be adverse to the public interest, that no increase in rates has been justified or is warranted, and that the application should be granted.

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

Although the instant application, when filed, sought authority by Southern California Water Company to exercise the rights

under the franchise granted by Orange County Ordinance No. 768, applicant Southern California Water Company was, subsequently, granted such authority under Decision No. 53856, dated October 1, 1956, in Application No. 37172 (supra) and the seeking herein of such authority is now moot.

O R D E R

Application as above entitled having been filed, public hearings, having been held, the protest of Dyke Water Company having been withdrawn, and Application No. 38388 of Dyke Water Company for authority to extend its water service to serve the consumers of Rancho Water Company and to serve Tracts Nos. 1842, 2320, 2321, 2668, and 2824, in unincorporated territory of Orange County, comprising the area certificated to Rancho Water Company by Decision No. 51610, having been withdrawn by Dyke Water Company and dismissed by the Commission as aforesaid, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

(1) That Rancho Water Company, a corporation, may, on or after the effective date hereof, and on or before December 31, 1958, sell and transfer its public utility water system properties described in the application, to Southern California Water Company, a corporation, substantially in accordance with the terms and conditions of the Agreement for the Purchase and Sale of Property, dated June 22, 1956, attached to the application as Exhibit A, and in accordance with the deeds and bills of sale attached to the application as Exhibits B(1) and B(2).

(2)a. That Southern California Water Company, on and after the date of actual transfer, is authorized and directed to charge in

the service area acquired under the authorization herein granted, the rates presently being charged by Rancho Water Company and to apply in said service area, its own rules which are on file with the Commission.

b. That Southern California Water Company, if it acquires the hereinabove-described properties, shall 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 procedure prescribed by General Order No. 96. Such rates, revised tariff sheets and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That on or before the date of actual transfer, Rancho Water Company shall refund all deposits and advances for construction which are subject to refund. Any unrefunded deposits and advances for construction shall be transferred to and become the responsibility for refund of Southern California Water Company.

(4) That if the authority herein granted is exercised, Rancho 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 thereof.

(5) That upon due compliance with all conditions of this order, Rancho Water Company, a corporation, shall stand relieved of all further public utility obligations and liabilities in connection with the operations of the water system herein authorized to be transferred.

(6) That insofar as Southern California Water Company was restricted by Decision No. 53856, dated October 1, 1956, in Application No. 37172, from extending its water system outside the boundaries of the area certificated by said decision, and as modified by Decision No. 54303, dated December 18, 1956, in First Supplemental Application No. 37172 of Southern California Water Company, said decisions are hereby modified, and Southern California Water Company is authorized to extend its water system to serve the area now being served by Rancho Water Company. In all other respects Decisions Nos. 53856 and 54303 remain in effect.

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

Dated at San Francisco, California,
this 28th day of January, 1958.

[Signature]
President

[Signature]
[Signature]

[Signature]

[Signature]
Commissioners