

Decision No. 57531

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ARVIN WATER COMPANY, )  
 a private corporation, and the )  
 NORTHRIDGE PARK COUNTY WATER DISTRICT )  
 for permission to sell a portion of ) Application No. 40416  
 the physical assets of the ARVIN WATER )  
 COMPANY to the NORTHRIDGE PARK COUNTY )  
 WATER DISTRICT. )

OPINION AND ORDER

Arvin Water Company,<sup>1/</sup> a corporation, by application filed September 10, 1958, seeks authority from this Commission to sell and transfer to Northridge Park County Water District,<sup>2/</sup> which joins in the application, that portion of its public utility water system which is situated within the boundaries of said district. The portion of the system proposed to be transferred is located in an unincorporated area near Carmichael, Sacramento County, approximately six miles northeast of the city of Sacramento and comprises roughly two-thirds of Arvin's present service area. Commission records show that Arvin's system served 195 customers at the end of 1957.

The terms and conditions of the proposed transfer are set forth in an instrument entitled "Contract of Purchase," a copy of which is attached to the application. The properties which Arvin proposes to transfer consist of certain parcels of real property described in deeds attached to the reference contract, and all of Arvin's easements, rights of way and water system facilities located within the exterior boundaries of the District. Certain projects under construction as of the date of the contract are identified and specifically included in the sale. Arvin agrees to complete these facilities, subject to inspection and approval by District. Three

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

pneumatic pressure tanks and all of Arvin's current assets and office furniture and equipment are to be retained by Arvin.

The consideration for the transfer of those properties which were part of Arvin's system as of April 30, 1958 is to be the sum of \$139,950. The properties which may become a part of the system between April 30, 1958, and the date of transfer, other than the specifically identified construction work in progress, are to be transferred at the installed cost to Arvin, less reasonable depreciation to the date of transfer.

Arvin acquired its Sacramento County water system properties from Oakvale Water Company pursuant to authority granted by Decision No. 56943, dated July 8, 1958, in Application No. 40086. This predecessor company was granted a certificate of public convenience and necessity to construct and operate the subject water system by Decision No. 52168, dated November 1, 1955, in Application No. 37170, and Decision No. 54521, dated February 11, 1957, in Application No. 38312.

The reasons for the proposed transfer are that the facilities proposed to be transferred are located within the boundaries of District, and the voters of District have approved the issuance of general obligation bonds in the amount of \$1,375,000 for the purpose of acquiring, reconstructing and extending the subject water system properties so as to provide District with an adequate water supply for both domestic and fire protection purposes.

The contract of purchase provides that the sale of the subject water system properties is to be free and clear of all obligations under existing contracts for advances for construction and also provides that Arvin is to deposit in trust a sum sufficient to refund all such advances.

The application states that, since it plans to remain in the water utility business and has other assets, Arvin would prefer

to retain the liability for the advances and make annual refunds from its general cash fund. Considering that the revenue-producing properties paid for by the advances are being sold and that the refunding of the advances would depend on the fortunes of a truncated system, the order which follows will provide for the establishment of a trust fund for the purpose of refunding said advances.

The contract establishes a procedure for the referral of disputed bills to this Commission. The prescription of such procedure is a prerogative of the Commission; accordingly, authorization to carry out the terms of this portion of the contract of purchase will be withheld.

The purchase contract provides that, at the time of the transfer of the properties, Arvin is to pay to District all of the customers' deposits applicable to the properties and that District will assume all of Arvin's obligations under the terms of all then existing customers' deposit agreements.

Arvin and District, by letter to the Commission, have requested that the application be expedited, as construction work now in progress has made severe demands on Arvin's cash reserves and any delays in the integration of the Arvin system with District's may result in additional expense to District. The effective date of the order which follows will, therefore, be made the date hereof.

The action taken herein shall not be construed to be a finding of the value of the properties 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, and that the application should be granted; therefore,

IT IS HEREBY ORDERED that:

1. Arvin Water Company, a corporation, may, on or after the effective date hereof and on or before March 31, 1959, sell and transfer the herein described public utility properties to Northridge Park County Water District substantially in accordance with the terms and conditions, except as hereinafter noted, set forth in the instrument entitled, "Contract of Purchase," a copy of which is attached to the application herein. The foregoing authority is conditional upon the following:

- a. Arvin Water Company shall transfer any customers' deposits held by it to Northridge Park County Water District, and the latter shall receive and assume the obligation for repayment of such deposits pursuant to the provisions of the contract of purchase attached to the application, and they shall jointly file with this Commission within thirty days after the date of actual transfer certified copies of appropriate instruments showing the names and addresses of all persons or corporations in whose favor any of said deposit obligations exist and the respective amounts thereof.
- b. The foregoing requirements of paragraph 1-a hereof constitute conditions of the authority herein granted.

2. Authorization is specifically withheld to carry out those terms of paragraph 10 of the hereinabove-described contract of purchase which prescribe the method of settlement of disputed bills by this Commission.

3. On or before the date of actual transfer, Arvin Water Company shall deposit with a trust company, acceptable to this Commission and lawfully engaged in the business of administering trust funds, the sum which represents the total amount of advances for construction which are then outstanding against the properties herein authorized to be transferred. From said sum shall be paid the refunds which may become due from time to time under the terms of said contracts. Within fifteen days after depositing said sum, Arvin shall file with this Commission a certified statement showing the date the deposit was made, the amount deposited, the names and

addresses of all persons or corporations in whose favor obligations for refund of advances for construction exist, and the respective amounts thereof.

4. If the authority herein granted is exercised, Arvin 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. Upon due compliance with the conditions of this order, Arvin Water Company shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility properties herein authorized to be transferred.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 29th day of October, 1958.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners