

Decision No. 60723**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of HIGHLANDERS WATER COMPANY to) Application No. 42255
approve the sale of all of its)
assets to the CITY OF RIVERSIDE.)

OPINION AND ORDER

Highlanders Water Company^{1/}, a corporation, by application filed May 16, 1960, seeks authority to sell and transfer its public utility water system to City of Riverside^{2/}, which joins in the application. The parties also request that this Commission determine whether it has jurisdiction in the instance.

The application states that the agreement of sale, a copy of which is attached to the application, was executed following the institution of a suit in eminent domain by City to condemn all the assets of Utility. The agreement was approved by the city council and a copy of the agreement is to be filed as an exhibit to and part of the judgment of condemnation in the eminent domain action. Utility states that it is uncertain whether it must comply with Section 851 of the Public Utilities Code for the reason that the taking of Utility's property by eminent domain is beyond its control.

Utility provides public utility water service in unincorporated territory to the east of the limits of City in the general vicinity of the University of California at Riverside, Riverside County. The annual report of Utility to the Commission for the year ended December 31, 1959, shows that Utility was serving 1,529 customers as of that date.

^{1/} Sometimes herein called Utility.

^{2/} Sometimes herein called City.

Commission records indicate that the subject water system was established pursuant to a certificate of public convenience and necessity granted to Utility by Decision No. 52736, dated March 6, 1956, in Application No. 37069 (Amended). Subsequently, the service area was expanded pursuant to certificates granted by Decision No. 53127, dated May 23, 1956, in said Application No. 37069 (Amended); and Decision No. 56599, dated April 29, 1958, in Application No. 39199 (Amended).

The terms and conditions of the proposed transfer are set forth in an instrument entitled "Water Works Acquisition and Annexation Agreement" dated March 25, 1960, a copy of which is attached to the application. Sun Gold, Inc.^{3/}, a California corporation, is also a party to the agreement. Sun Gold owns all of the issued and outstanding shares of capital stock of Utility, and in addition owns certain lands proposed to be annexed by City.

The properties proposed to be transferred include all the physical property owned by Utility, all easements and rights of way, all water rights, including stock in two mutual water companies which entitle Utility to certain supplies of water.

The consideration for the transfer of the properties owned by Utility as of the closing date is to be \$864,554.35 in cash. This amount is to be adjusted for specified changes in the amounts of work in progress, transportation and miscellaneous equipment, and the amounts paid by Utility after March 1, 1960, under main extension contracts.

The agreement also provides that City is to assume all obligations and liabilities of Utility under its outstanding main extension agreements. The advances received by Utility for which the

^{3/} Sometimes herein called Sun Gold.

main extensions have not been completed under five such agreements, amounting to \$319,252.75, are to be turned over to City. All other advances under main extension agreements, amounting to \$348,551.01, are to remain the property of Highlanders. As to all main extension agreements between Utility and Sun Gold, it is agreed that the unpaid balances shall be discharged in full, by payment from City to Sun Gold within one year of closing date, the sum of 50 percent of the unpaid balances due on such contracts. On February 29, 1960, there were four such contracts outstanding with remaining balances of \$122,122.90.

Utility's filed Rule No. 15, Main Extensions, provides that advances made for main extensions are to be subject to refund, over a period of 20 years, by payment of 22 percent of the estimated annual revenue from new bona fide customers connected directly to the extension. Should City apply lower rates to the area served by the facilities being acquired from Utility, refunds payable by City under main extension agreements would be reduced correspondingly.

However, counsel for Utility has informed the Commission by letter that to his knowledge, City has no present plans to change the rates now in effect for Utility. Further, Utility's counsel reports that of the total 32 holders of outstanding main extension agreements, 23 have agreed to accept refunds based upon City's rates, and nine failed to respond to an inquiry mailed to each by Utility.

In addition to Utility's obligations under existing main extension agreements, City agrees to assume all contingent liability remaining under the Commission's Decision No. 59203, dated October 27, 1959, in Case No. 6269, in which Utility was ordered to refund to the complainant the difference between the amount advanced for the extension of a 12-inch main and the estimated cost of a 4-inch main.

According to the agreement, City is to render water service to all the area now certificated to Utility, to any area Utility is

obligated to serve pursuant to the terms of its main extension agreements, to all the additional area within Utility's tariff area boundary, and to two connections outside of the latter's service area. According to Utility's balance sheet, Exhibit "C" attached to the agreement, net utility plant as of February 29, 1960, amounted to \$1,132,724.55. The agreement provides that Utility is to retain all accounts receivable. City is to collect unbilled charges by Utility as of the closing date and remit the amounts collected to Utility. The agreement does not provide for the disposition of customer's deposits which, according to Utility's balance sheet, amount to \$135 on February 29, 1960. The order herein will provide that such deposits be refunded.

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 finding 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. Highlanders Water Company, a corporation, may, on or after the effective date hereof, and on or before February 28, 1961, sell and transfer the herein described public utility's properties to City of Riverside pursuant to the agreement attached to the application.

The foregoing authority is conditioned upon the following:

- a. That Highlanders Water Company shall transfer all advances for construction held by it to City of Riverside, and the latter shall receive and assume the obligation for repayment of such advances 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 the said advance obligations exist and the respective amounts thereof.

b. The foregoing requirements of (a) of paragraph 1 hereof constitute conditions of the authority herein granted.


2. On or before the date of actual transfer, Highlanders Water Company shall refund all customers' deposits which customers are entitled to have refunded, and within thirty days thereafter shall notify this Commission in writing of the date of completion of such refunding.

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

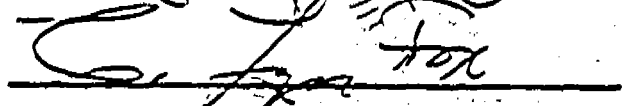
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 13th day of September, 1960.



President





Commissioners