

**ORIGINAL**Decision No. 53506

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 THE STOCKTON LAND ASSOCIATION, a  
 corporation, and CALIFORNIA WATER  
 SERVICE COMPANY, a corporation, for  
 an order authorizing (1) the sale  
 and transfer to California Water  
 Service Company of the water system  
 of The Stockton Land Association,  
 and (2) the discontinuance of service  
 by The Stockton Land Association in  
 the territory in the City of Stockton  
 now served by The Stockton Land  
 Association and the extension of  
 service into said territory by  
 California Water Service Company.

Application No. 44059  
 (Filed December 27, 1961)

O P I N I O N

This application of The Stockton Land Association, a California corporation (hereinafter referred to as "Seller") and California Water Service Company, a California corporation (hereinafter referred to as "Purchaser"), is for the purpose of obtaining an order:

1. Approving the agreement dated August 29, 1961, between The Stockton Land Association and California Water Service Company, which is annexed as Exhibit C to the application; and
2. Authorizing the sale and transfer by The Stockton Land Association to California Water Service Company of the former's water system and public utility properties which are described in said agreement and in the deed and bill of sale, which is annexed as Exhibit D to the application, in accordance with and at the price set forth in said agreement; and

3. Authorizing the discontinuance by The Stockton Land Association of public utility service in the territory in the City of Stockton and the County of San Joaquin served by the properties to be conveyed upon the consummation of said sale and transfer; and

4. Authorizing California Water Service Company to operate said water system as a part of its Stockton District; and

5. Authorizing California Water Service Company to furnish water service to each customer within the service area of The Stockton Land Association at the rates of California Water Service Company now applicable to the Stockton Zone of its Stockton District and in accordance with the rules of California Water Service Company now in effect, and further authorizing California Water Service Company to furnish water service to each such customer at temporary flat rates identical with the rates now being charged by The Stockton Land Association, such temporary flat rates to be effective as to each such customer only until California Water Service Company shall have metered said customer's premises.

Seller is presently engaged as a public utility in the business of supplying and distributing water for domestic purposes in the northern part of the City of Stockton, County of San Joaquin, generally bounded on the north by East Alpine Avenue, on the south by East Monterey Avenue, on the east by North California Street, and on the west by North Eldorado Street.

Purchaser is engaged as a public utility in the business of the supply and distribution of water for domestic and industrial purposes in the following localities in the State of California: Atherton, Bakersfield, Broadmoor, Chico, Dixon, East Los Angeles, Hermosa Beach, Livermore, Los Altos-Suburban, Marysville, Menlo Park,

Oroville, Redondo Beach, San Carlos, San Mateo, South San Francisco, Stockton, Visalia, Willows and Woodside.

It is alleged in the application that applicants have been negotiating since January, 1961, with respect to the sale by Seller to Purchaser of Seller's entire water system. As a result of such negotiations, Seller and Purchaser have reached an agreement, subject to the approval of this Commission, for the sale by Seller to Purchaser of all of the properties, franchises, operative rights, and assets (except accounts receivable, cash in bank, and securities), including all certificates of public convenience and necessity from the Public Utilities Commission of the State of California, comprising Seller's water system, at a price of \$3,500. Seller is to retain and refund to its customers all refundable deposits made by customers to guarantee payment of bills.

The undepreciated book cost of the properties to be sold to Purchaser was \$15,311.64 as of September 30, 1961. Also, this amount is believed to be the original cost.

Seller was organized in 1907, as a California corporation, for the purpose of selling its real estate holdings which consisted of lands situated in the northern part of the City of Stockton. Seller subdivided these lands and sold them off from time to time. When Seller was incorporated, no water service was available in the section of the City of Stockton where its properties were located. It therefore became necessary for Seller to furnish water service to lot purchasers. Seller completed the sale of all lands owned by it many years ago, and since that time has been engaged solely in the water business.

The area presently served by Seller covers approximately 38 acres. Seller presently serves approximately 262 customers on

a flat rate basis. Water is secured from one 12-inch cased well 185 feet deep. The distribution mains consist of approximately 10,400 feet of 1 to 4-inch galvanized and black steel mains. Four fire hydrants are attached to Seller's system. Seller's service area is completely surrounded by the service area of Purchaser.

The current revenues realized by Seller from the sale of water within its service area are insufficient to permit Seller properly to maintain and improve its water distribution system. The present facilities are old, in need of some repair, and not capable of providing service comparable to that rendered by Purchaser in its adjacent service areas. Water waste is present because Seller's service is not metered.

Seller and Seller's shareholders are anxious that Seller withdraw from the public utility water business. They believe it would be to the advantage of Seller's customers to have Seller's water system owned and operated by Purchaser.

Seller and Purchaser consider \$3,500 to be a fair price for Seller's water system because of the system's need for repair, replacement, improvement, modernization, and metering.

Upon said transfer, Purchaser proposes to operate said water system as a part of its Stockton District and, as each customer is metered, to furnish water service to that customer in Seller's service area at the rates now being charged by Purchaser in the Stockton Zone of its Stockton District, and in accordance with the rules of Purchaser now in effect. Until any particular customer within Seller's service area has been metered, Purchaser proposes to furnish water service to such unmetered customers at the flat rates now being charged by Seller. Purchaser has stated

that, upon said transfer, it will immediately connect Seller's water system to Purchaser's Stockton District in order to improve the water pressure and provide an additional source of supply in Seller's service area. Purchaser further states its intention to proceed forthwith to install meters and to make such other improvements, repairs, and modernization in Seller's water system as may be necessary to enable Purchaser to furnish service comparable to that service now being furnished in Purchaser's Stockton District.

Purchaser is willing to purchase Seller's water system because it is contiguous to its Stockton District. Applicants severally allege that they have given consideration to all the facts and circumstances bearing upon the matters involved and believe that said agreement for the sale of said water system and its terms and provisions are fair, just and reasonable and they are desirous of consummating the same in accordance with the provisions thereof, and that the acquisition by Purchaser of said properties and the maintenance and operation thereof as part of the operations of Purchaser will be in the public interest.

A balance sheet for The Stockton Land Association dated September 30, 1961, shows total liabilities and capital of \$18,105.10. A statement of income and expenses for nine months ended September 30, 1961, shows net profit of \$340.96. For California Water Service Company the balance sheet shows a total of \$75,103,245.66 and statement of income and earned surplus for twelve months ending October 31, 1961, shows earned surplus of \$7,815,974.19.

There has been no showing that the proposed rate to be charged by California Water Service Company for water service after

the present customers of The Stockton Land Association are metered is justified.

Findings and Conclusions

Application having been filed and the Commission having considered all the allegations thereof, the Commission finds and concludes that:

1. A public hearing is not necessary.
2. The proposed transfer and sale will not be adverse to the public interest.
3. The proposed metered rates and charges for the area to be acquired by California Water Service Company have not been justified.

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

O R D E R

Application having been filed and the Commission being informed in the premises,

IT IS ORDERED that:

1. Within one hundred twenty days after the effective date hereof, The Stockton Land Association, a corporation, may transfer and sell, and California Water Service Company may acquire, the water system and operative rights referred to in the application, in accordance with the terms and conditions set forth in the agreement attached to the application as Exhibit C.

2. On or before the date of actual transfer, The Stockton Land Association shall refund all deposits and all advances for construction which customers are entitled to have refunded as of the effective date of the transfer. All unrefunded deposits and

advances shall be transferred to and become the responsibility for refund of California Water Service Company.

3. California Water Service Company is authorized and directed after the date of actual transfer:

- a. To apply the presently effective rate schedules of The Stockton Land Association to the present service area of The Stockton Land Association.
- b. To apply the presently effective rules of California Water Service Company, Stockton District, in the entire consolidated area.
- c. To refile, under its name, within thirty days after the date of transfer, in conformity with General Order No. 96-A, and in a manner acceptable to this Commission, such tariff sheets, including tariff service area maps, as are necessary to provide for the application of the presently effective rate schedules of The Stockton Land Association to the present service area of The Stockton Land Association as hereinabove authorized. Such revised tariff sheets shall become effective upon five days' notice to the public and to this Commission after filing as hereinabove provided.

4. On or before the date of actual transfer, The Stockton Land Association shall transfer and deliver to the purchaser, who shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

5. If the authority granted herein is exercised, The Stockton Land Association, within thirty days thereafter, shall notify this Commission, in writing, of the date of completion of the property transfer herein authorized and of its compliance with the conditions hereof.

6. Upon compliance with all of the conditions of this order, The Stockton Land Association shall stand relieved of all further public utility obligations in connection with the operations of the public utility water system herein authorized to be transferred.

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7. Except as herein granted, Application No. 44059 is denied.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 3rd  
day of APRIL 4, 1962.

*Charles H. Egan*  
President

*E. J. Lunt*

*George L. Deaver*

*Frederick B. Hilborn*

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.