

Decision No. 64011**ORIGINAL**

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

In the Matter of the Application of )  
 PACIFIC WATER CO. and SOUTHERN )  
 CALIFORNIA WATER COMPANY for an order )  
 or orders (a) authorizing the sale of )  
 certain of the public utility water )  
 system property of Pacific Water Co. )  
 to Southern California Water Company; )  
 (b) authorizing Pacific Water Co. to )  
 refund certain consumers' deposits; )  
 (c) authorizing Southern California )  
 Water Company to render water service )  
 to the public in the territory served )  
 by Pacific Water Co. at the rates of )  
 Pacific Water Co. presently in effect )  
 and authorizing Pacific Water Co. to )  
 discontinue rendering water service; )  
 (d) authorizing Southern California )  
 Water Company to assume certain lia- )  
 bilities of Pacific Water Co.; and )  
 (e) authorizing Southern California )  
 Water Company to exercise rights under )  
 any franchises to be acquired by it )  
 in order to render water service in )  
 the area presently served by Pacific )  
 Water Co. )

Application No. 44579  
 (Filed June 15, 1962)

Moss, Lyon & Dunn, by Frank Christl, for Pacific Water Company.  
 O'Melveny & Myers, by Donn B. Miller, for Southern California Water Company.  
 City of Fountain Valley, by Calvin P. Schmidt; City of Santa Ana, by H. H. Foreman; City of Westminster, by Harry Pappas, Jr. and Calvin Brack; City of Garden Grove, by Howard Gesley; interested parties.  
C. O. Newman, for the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner F. Everett Emerson on July 17 and 19, 1962, at Los Angeles. The matter is submitted and ready for decision.

Pacific Water Company proposes to sell and Southern California Water Company proposes to purchase, in accordance with the provisions of an agreement between them dated June 6, 1962, substantially all of the property of Pacific except Pacific's general

office building in Los Angeles, its leasehold interest in an office building in Santa Ana, certain office equipment and three water systems commonly known as the Independence Square, Heiner Tract and Victorville No. 1 South systems. By the proposed transfer, Southern California would gain approximately 8,714 customers.

The agreement provides that the basic purchase price shall be \$1,806,648.19 for the property owned by Pacific on December 31, 1961, such price to be subject to adjustment in accordance with a formula, set forth in the agreement, designed to set the final purchase price in recognition of plant additions or retirements and of operating costs which will have occurred between such date and the date of closing. Southern California will make cash payment for the property to be acquired, utilizing its treasury funds and short-term borrowings as the means of financing the same.

The agreed price is approximately equal to the net book values of the properties to be transferred. Illustrative of the transaction involved, as of April 30, 1962 records, is the following:

Pacific's Utility Plant	
original cost per books	\$ 2,956,825.52
Less - Reserve for depreciation	( 329,663.44)
- Contributions	( 199,913.37)
- Advances for construction	<u>( 605,115.84)</u>
Net Plant	1,822,132.87
Cash Payment by Southern California	1,810,199.87
Excess of net book over price, or Plant acquisition adjustment	11,933.00

(inverse item)

Under the terms of the agreement, Pacific will refund to its customers all deposits held for the establishment of credit and for the establishment of temporary services. Upon acquisition of

the properties, Southern California will assume the obligations of Pacific to make refunds for construction advances in accordance with the terms of the various refunding agreements in force.

Heretofore, this Commission in a number of decisions<sup>1/</sup> has directed Pacific to make numerous system improvements in order to bring its system up to the standards prescribed by the Commission's General Order No. 103. In this proceeding, Southern California has advised the Commission that it will undertake to make all such improvements and that it has budgeted the sum of \$373,310 for such purpose for the first five-months' period following acquisition. Further, for the next three-year period it will undertake a rehabilitation program for the acquired properties which will call for a total expenditure of not less than \$750,000. The specific projects are set forth in this record, including the budgeted amount of \$373,310 approved by Southern California's board of directors on May 8, 1962.

The interconnection of the present Pacific and Southern California systems where possible, together with the proximity of other systems of Southern California, will facilitate the consolidation of operating areas and provide a ready means for the resolution of the service problems in those areas which have been a source of concern to this Commission and to Pacific. By so doing, the public interest will be better served.

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<sup>1/</sup> Decisions Nos. 55534, 55730, 56469, 57863, 58143, 60331, 61296, 61648, 62244, 62743, 63543, 63588, 63641, 63934.

Southern California proposes to continue in effect the rates for water service presently being charged by Pacific. No increase in rates is proposed, nor will any be authorized herein.

In this proceeding the City of Santa Ana expressed concern over a possible duplication of certain water-serving facilities if Southern California were physically to integrate two of the systems to be acquired. Examination of the plans of Southern California by this city's Director of Public Works, elicited the statement that the apparent duplication would be of minor extent and that the city did not wish to protest granting applicants' requests.

The City of Fountain Valley, within the boundaries of which Pacific presently serves approximately 80 customers, initially protested the proposed transfer. However, after review by the city council such protest was withdrawn and the final position of this City is to urge granting of applicants' requests and expedition of the disposition of the matter.

In view of the record in this proceeding, the Commission finds as a fact that the proposed transfer of properties is not adverse to the public interest. Further, the Commission finds that applicants should be authorized to carry out the transfer of property in accordance with the terms of the agreement of sale as entered into on June 6, 1962. The authorization herein granted, however, shall not be construed as a finding of the value of the properties authorized to be transferred.

Applicants have urged that the Commission's order herein be made effective immediately so that the closing date of July 31, 1962, as contemplated by the agreement of sale, may be met. In this respect, the testimony is clear that only by such means may an undue

financial burden on Pacific be avoided. In view of the evidence in this respect, the Commission finds that the effective date of this order should be the date hereof.

O R D E R

Based upon the evidence and the findings set forth in the foregoing opinion,

IT IS ORDERED that:

1. Pacific Water Company, on or after the date of this order and on or before October 31, 1962, may sell and transfer to Southern California Water Company, in accordance with the terms and conditions of the agreement between them dated June 6, 1962, the portions of its public utility properties described in the application herein.

2. Coincident with the transfer of said properties, Pacific Water Company shall stand relieved of its public utility obligations pertaining to the utility systems transferred and Southern California Water Company shall assume the same and thereafter be responsible for providing public utility water service in each of the several areas served by the transferred properties. Further, any franchise right or any certificate of public convenience and necessity or any of the rights, privileges and obligations of any of them pertaining to any of such areas or operations, held by Pacific Water Company, shall be transferred to Southern California Water Company as of the date of transfer of said utility systems.

3. On or before the actual date of transfer, Pacific Water Company shall refund all customers' deposits which are subject to refund in connection therewith and within thirty days thereafter shall notify this Commission in writing of the date upon which such refunding is completed.

4. Coincident with the transfer of the properties, Southern California Water Company shall assume the liabilities of Pacific Water Company respecting all agreements for advances for construction associated with said transferred properties, as provided for in the aforesaid agreement of June 6, 1962.

5.a. Coincident with the actual date of transfer, Southern California Water Company is authorized and directed to charge and apply in the territory acquired, the rates, charges, and other tariff provisions presently being charged and applied by Pacific Water Company.

b. Within thirty days after the actual date of transfer, Southern California Water Company shall refile, in accordance with the provisions of General Order No. 96-A, the presently effective tariffs of Pacific Water Company as its own, or in lieu of such re-filing, shall file a notice of adoption of said presently effective tariffs.

c. No increases in the presently filed rates and charges and no more restrictive conditions in any rules or other tariff sheets shall be made except upon further authorization of this Commission.

6. Within thirty days of the date of actual transfer, Pacific Water Company shall notify this Commission, in writing, of the date upon which the transfer was consummated and shall file with this Commission a copy of any or all documents executed to effectuate the transfer.

7. Upon completion of the transfer of properties, Southern California Water Company shall forthwith proceed with the rehabilitation of the various systems acquired to the extent necessary to

accomplish compliance with this Commission's presently outstanding orders to Pacific Water Company respecting required system improvements and shall, commencing ninety days after the date of actual transfer and continuing for a period of three years thereafter, or until on some prior date relieved therefrom by the Commission, file written quarterly reports respecting the specific progress of such rehabilitation and improvements.

8. Southern California Water Company shall record its acquisition of the properties in accordance with "Plant Instruction 4" of the Uniform System of Accounts for Class A Water Utilities and shall submit to this Commission copies of the entries used by not later than December 31, 1962.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of JULY, 1962.

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 President

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 Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.