

ORIGINAL

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Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Thos. L. Clay DBA)
 Jurupa Hills Water Company to sell)
 all its assets to Jurupa Hills)
 Water Co., a California corporation;)
 for Jurupa Hills Water Co. to pur-)
 chase said assets; for Jurupa Hills)
 Water Co. to issue a note to Thos.)
 L. Clay; for Jurupa Hills Water Co.)
 to issue stock; and for Jurupa Hills)
 Water Co. to increase its service area)

Application No. 44668
Filed July 26, 1962

Robert O. Hunter and Thos. L. Clay, for
 applicants; Mrs. Anna Hahn, for Jurupa
 Heights Water Company, interested party;
Jerry J. Levander, for the Commission
 staff.

O P I N I O N

This is an application for an order of the Commission authorizing Thos. L. Clay to sell and transfer a public utility water system, known as the Jurupa Hills Water Company, to Jurupa Hills Water Co., a corporation, and authorizing Jurupa Hills Water Co. to execute a mortgage of chattels and to issue a note in the principal amount of \$75,000 in part payment for said water system, to issue and sell \$5,000 par value of common stock for cash for working capital, and to extend the utility's service area.

A public hearing on this application was held before Examiner Coleman in Riverside on August 17, 1962, at which time the matter was taken under submission.

The water system serves some 190 consumers in a portion of Riverside County approximately two miles east of the community of Pedley. The operations were certificated by the Commission by Decision No. 60502, dated August 2, 1960, in Application No. 40932, whereby Thos. L. Clay was authorized to construct and operate a public utility system for the distribution and sale of water in an area comprising some 530 acres, including the Jurupa Hills Subdivision Units Nos. 1, 2, 3 and 4 as said area was shown on Exhibit A attached to said Application No. 40932. The order of the Commission prohibits extensions of the water system or operations outside the certificated territory without Commission authorization.

The present application and the testimony given at the hearing show that Thos L. Clay has acquired properties outside the State and desires to dispose of the Jurupa Hills Water Company; that he has made arrangements with Robert O. Hunter for the sale and purchase of the water system for the sum of \$76,000, assertedly an amount approximately equivalent to the book value of the properties; and that said Robert O. Hunter, who has been in charge of the operations of the water system and who is engaged in extensive land development programs in the area, has organized Jurupa Hills Water Co., a corporation, for the purpose of having it take over the water system and continue the operations. Of the agreed purchase price, \$1,000 has been paid and \$75,000 will be represented by a note, secured by a mortgage of chattels, payable on or before March 1, 1971, with interest at the rate of 4 percent per annum.

The presently certificated area comprises approximately 530 acres, although it now is reported that 120 acres have been withdrawn from subdivision and utilized for a golf club. The proposed extension to the service area will comprise approximately 25 acres adjacent to, and contiguous with, the present service area. No protest has been made to the proposed extension. At the hearing, communications were received from Rubidoux Community Services District and Jurupa Heights Water Company, two organizations engaged in distributing water in the general area, indicating that they had no objections. The record, moreover, is clear that those in control of the water system, following its certification as a public utility, have taken steps to improve the pumping equipment and booster facilities to meet peak conditions, that they have augmented the source of supply and that they have arranged for an interconnection with Rubidoux Community Services District. It appears that the available sources of water should be sufficient to supply the requested extension to the service area.

It is true that the proposed plans provide for a capital structure which, at the outset, will be unbalanced. On the other hand, the parties have agreed to a 4 percent interest rate on the note and the new corporation's president and sole shareholder has stated on the record that he will, if necessary, provide the corporation with funds, if it needs them, to service the note and that he will undertake to install improvements to the water system and to arrange for an engineering study looking toward the removal of pressure difficulties which now

exist. It appears to us, from a review of the testimony, that the financing arrangements will not interfere with, nor threaten to impair, the ability of the utility to render adequate service and that, in the end, the public will be benefited by the undertaking of the new ownership to improve the service and facilities. We find and conclude, therefore, that the proposed transfer will not be adverse to the public interest, that the proposed stock and note issues should be authorized, and that a certificate of public convenience and necessity should be granted permitting the extension in the service area as requested.

The certificate of public convenience and necessity is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

The authorization to transfer properties and to issue securities is for the purpose of this proceeding only and is not to be construed as a finding of the value of such properties nor as indicative of amounts to be included in a future rate base, or operating expenses, for the purpose of fixing just and reasonable rates.

One of the original wells in the system, known as Well No. 8, is said to have been replaced by Well No. 13. It is proposed to transfer this well, which is one and one-quarter

miles from the certificated area and is adjacent to the area of another utility, to Thos. L. Clay, along with a pipeline serving three customers, extending from Well No. 8 to Limonite Avenue. Assertedly, arrangements are being made, or will be made, to provide these three customers with service.

However, such arrangements have not been perfected as yet and no authority will be granted, at this time, for the abandonment of any properties now used and useful in the performance of public utility obligations.

O R D E R

A public hearing having been held, the Commission having considered the above-entitled matter and being of the opinion that the money, property or labor to be procured or paid for by the issue of the securities herein authorized is reasonably required for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED that -

1. Thos L. Clay, doing business as Jurupa Hills Water Company, may sell and transfer to Jurupa Hills Water Co., a corporation, all the properties used and useful in his public utility water operations, including the certificate of public convenience and necessity granted to said Clay by Decision No. 60502, dated August 2, 1960, in Application No. 40932.

2. Jurupa Hills Water Co., a corporation, in acquiring said properties shall assume all the public utility liabilities and obligations of Thos. L. Clay, doing business as Jurupa Hills Water Company, and, in part payment for said properties, may issue a note in the principal amount of not to exceed \$75,000 and may execute a mortgage of chattels to secure the payment of said note, which mortgage of chattels shall be in the same form, or substantially the same form, as that annexed to the application and marked Exhibit E.

3. Jurupa Hills Water Co., a corporation, may issue not to exceed \$5,000 par value of its common stock, for cash, and use the proceeds for working capital.

4. The shares of stock authorized by Ordering Paragraph 3 hereof shall not be sold or issued unless and until the corporation first shall have selected a corporate escrow holder and said escrow holder shall have been first approved in writing by the Commission. When issued, all documents evidencing any of said shares shall forthwith be deposited with said escrow holder, to be held as an escrow pending the further written order of the Commission. The receipt of said escrow holder for said documents shall be filed with the Commission and the owner or persons entitled to said stock shall not consummate a sale or transfer of said stock, or any interest therein, or receive any consideration therefor, until the written consent of the Commission shall have been obtained so to do.

5. On or before the date of actual transfer, Thos. L. Clay, doing business as Jurupa Hills Water Company, shall refund all deposits, if any, which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and shall become the obligation for refund of Jurupa Hills Water Co., a corporation.

6. On or before the date of actual transfer, Thos. L. Clay, doing business as Jurupa Hills Water Company, shall transfer all advances for construction held by him to Jurupa Hills Water Co., a corporation, and the latter shall assume the obligation for repayment of such advances. Applicants shall, within fifteen days after the date of transfer, jointly file with this Commission a certified copy of an appropriate instrument showing the names of all persons or corporations in whose favor such obligations exist and the amounts thereof.

7. On or before the date of actual transfer, Thos. L. Clay, doing business as Jurupa Hills Water Company, shall transfer and deliver to the corporation all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and said corporation shall receive and preserve such records, memoranda and papers.

8. The rates and rules of Thos. L. Clay, doing business as Jurupa Hills Water Company, now on file with this Commission shall be refiled within five days after the date of actual transfer under the name of Jurupa Hills Water Co., a corporation,

in accordance with the procedure prescribed by General Order No. 96-A, or, in lieu of such refiling, Jurupa Hills Water Co., a corporation, may file a notice of adoption of said presently filed rates and rules. No increases in the presently filed rates shall be made unless otherwise authorized by this Commission.

9. If the authority herein granted is exercised, Thos. L. Clay, doing business as Jurupa Hills Water Company, within thirty days thereafter, shall notify this Commission, in writing, of the date of such completion of the property transfer herein authorized and of his compliance with the conditions hereof.

10. Upon compliance with all of the conditions of this order, Thos. L. Clay, doing business as Jurupa Hills Water Company, shall stand relieved of all further public utility obligations in connection with the operation of the public utility water system herein authorized to be transferred.

11. Jurupa Hills Water Co., a corporation, within six months after the effective date of this order, shall equip its existing hydropneumatic tank with an air compressor, shall install meters at its wells, shall eliminate existing pipeline constrictions, and shall acquire the land or land rights upon which its water production facilities are located, and shall advise the Commission, in writing, of the completion of these improvements.

12. Jurupa Hills Water Co., a corporation, shall cause to be made an engineering study of the water supply, storage, transmission and distribution system for the purpose of developing a master plan to provide for the establishment of different pressure zones for the various elevations, a design for an adequate grid system with adequate valving to guarantee reasonable continuity of service, adequate storage to provide sufficient water to meet peak flow requirements, and provide reasonable storage in case of interruption of water supply. Estimates of the cost to carry out the master plan shall be made and a timetable for its completion shall be developed. The master plan, along with related cost, timetable, and a statement of the sources of the funds necessary to carry out the plan, shall be submitted to the Commission within six months after the decision is rendered in this matter.

13. Jurupa Hills Water Co., a corporation, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

14. The authority herein granted to execute a mortgage of chattels and to issue a note shall become effective when Jurupa Hills Water Co., a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$75. In all other respects this order shall become effective twenty days after the date hereof.

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require and will require the extension of the service area of Jurupa Hills Water Co. to include Lot 2, Block 6 of Jurupa Heights Subdivision and Tract 2354, containing 24.77 acres, more or less, as set forth and described in Exhibit B annexed to the application, and

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity hereby is granted Jurupa Hills Water Co., a corporation, in accordance with the foregoing finding.

Dated at Los Angeles, California,
this 19th day of SEPTEMBER, 1962.

George G. Hoover
President

[Signature]

Fredrick B. Holshoff

Commissioners

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

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

