

Decision No. 66237**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 NORTHGATE WATER COMPANY, a California)
 corporation, for authority to sell all)
 of its physical assets, comprising its)
 water system in the CITY OF SACRAMENTO,)
 a municipal corporation.)

Application No. 45835
 (Filed October 4, 1963)

OPINION AND ORDER

By this application, Northgate Water Company (seller) a corporation, seeks authority to transfer its utility properties to the City of Sacramento (purchaser), and to discontinue service. Purchaser joins in the application.

Seller serves territory in Sacramento County generally known as the Northgate Area, which was annexed to purchaser on December 31, 1960. It is purchaser's stated policy to supply domestic water to all consumers within the city limits.

On September 26, 1963, seller and purchaser entered into an agreement, a copy of which is attached to the application, providing for the sale of the water system serving the Northgate Area, effective as of close of business November 1, 1963. The agreed purchase price is \$276,000, payable in cash on demand after November 1, 1963.

Seller's December 31, 1962 balance sheet, filed as part of its 1962 annual report to this Commission, shows utility plant in the amount of \$230,934.13, a depreciation reserve of \$26,861.60, and unrefunded advances for construction of \$94,883.31. The application states that the book cost of the utility properties is \$230,934.13 and that the present level of unrefunded advances on its five main

extension agreements is \$90,918.49. The present depreciation reserve is not shown.

Purchaser does not propose to assume the liability for refund of advances for construction. Instead, seller intends to settle all of said obligations out of the proceeds from the sale of the system. It has not yet determined whether each such settlement will be at a discount, as permitted by its filed main extension rule upon authorization of this Commission, or whether a trust fund will be provided to pay the refunds when due.

The Commission finds that:

1. The proposed transfer is not adverse to the public interest.
2. Seller should formulate a plan acceptable to this Commission, as evidenced by a supplemental order to that effect, for settlement of its refund obligations related to outstanding advances for construction.
3. Until the aforementioned settlement plan is approved by this Commission, seller should place in escrow a suitable portion of the proceeds from the sale of its water system.

The Commission concludes that the proposed transfer should be authorized without delay, subject to the conditions set forth in the following order. A public hearing is not necessary.

IT IS ORDERED that:

1. On or after the effective date hereof, Northgate Water Company, seller, may transfer and sell to the City of Sacramento, purchaser, its public utility water system located in territory known as the Northgate Area, Sacramento County, in accordance with the terms and conditions of the agreement, Exhibit "A" attached to the application herein and the terms and conditions of this order.

2. On or before the date of actual transfer, seller shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund.

3. Purchaser shall deposit in escrow with a suitable bank, trust company, or other agent, the approximate amount of unrefunded advances, to wit, the sum of \$91,000 to be disbursed, in a manner to be approved by supplemental order of this Commission, in part to seller and in part to settle refund obligations related to outstanding advances for construction.

4. Within ten days after the date of actual transfer, seller shall submit written notification to this Commission of the refunding of deposits and establishment of escrow required herein, the date of transfer, and the date upon which purchaser shall have assumed operation of the water system authorized herein to be transferred. A true copy of the instrument or instruments of transfer shall be attached to the written notification.

5. Upon compliance with the above conditions of this order, seller shall stand relieved of all of its public utility obligations except refund of advances for construction, in the area served by the transferred system, and may discontinue service concurrently with the commencement of service by purchaser.

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

Dated at San Francisco, California, this 30th day of OCTOBER, 1963.

William Lee Bennett
President

George L. Hoover
Commissioners

Fredrick B. Halchett
Commissioners