

**ORIGINAL**Decision No. 67222

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

Application of CORONA CITY WATER COMPANY, a California corporation, TEMESCAL WATER COMPANY, a California corporation, for Order authorizing Sale of Certain Assets to City of Corona, a municipality, and relieving Corona City Water Company of its Obligations and Liabilities as a public utility.

Application No. 46094  
(Filed January 13, 1964)

Application of CORONA CITY WATER COMPANY, a California corporation, for Order approving an Irrevocable Depositary Agreement providing for repayment of refund contracts for construction advances paid to Applicant, and authorizing execution thereof.

Application No. 46266  
(Filed March 6, 1964)

Clayson, Stark, Rothrock & Mann, by Donald D. Stark and Thomas White, for applicants.

John T. Ganahl, for the City of Corona; Dillavou & Cox, by Phillip R. Nicholson, for Coney Land Co. and Far West Financial Corporation; and Joseph T. Enright; interested parties.

Elinore Charles, Raymond E. Heytens, and Chester O. Newman; for the Commission staff.

O P I N I O N

By Application No. 46094, Corona City Water Company (Corona), Temescal Water Company (Temescal), and the City of Corona (City), request an order authorizing Corona and Temescal to sell

certain water system assets to City and authorizing Corona to discontinue service and be relieved of all public utility liabilities and obligations.

By Application No. 46266, Corona seeks an order of the Commission approving an irrevocable depository agreement and authorizing Corona to execute said agreement and be relieved of all liabilities and obligations connected with the refund contracts covered by said agreement.

The two applications were consolidated for hearing and a public hearing thereon was held in Los Angeles before Examiner Rogers on March 12, 1964.

The representative of two corporations intending to build a total of approximately 1,500 homes on 400 to 500 acres in and in the vicinity of the City in Corona's service area, stated that several of the homes have been constructed and main extension agreements executed with Corona; that the corporations are ready to construct more homes; but Corona will not execute main extension agreements.

The corporations have filed a complaint with the Commission (Case No. 7850), the object of which is to require Corona to execute subdivision main extension agreements. That matter is not now properly before the Commission. It will be decided after hearing in the appropriate proceeding. The City has passed a resolution (Exhibit 9) stating, among other things, that the City, upon acquiring the assets of Corona and Temescal pursuant to the

agreement of sale referred to below (Exhibit 1), will furnish domestic water to all water users now or hereafter in the presently certificated service area of Corona.

On December 27, 1963, Corona, Temescal, and the City executed an agreement (Exhibit 1) whereby, subject to the approval of this Commission, Temescal and Corona are to transfer their domestic water supplies and the domestic transmission and storage facilities, plus certain contractual water production rights owned by Temescal pursuant to an agreement with the City of Riverside, to the City. As consideration therefor the City, among other things, agrees to pay Corona and Temescal \$2,330,000 in cash (for the purpose of this hearing only, the Temescal property to be transferred is valued by Temescal's engineer at \$470,295.65 (Exhibit 5); to assume existing customer service deposit obligations of Corona; to continue water service to all Corona customers; and to assume the obligations of Corona under all refund contracts for construction advances entered into after December 15, 1963, and before the closing date (not later than 30 days after compliance with the conditions referred to below, among others).

As conditions of the transfer, the City agrees to file an appropriate eminent domain proceeding (this has been done); the parties are to exchange proper conveyancing documents; the City is to secure authorization for the sale of revenue bonds sufficient to pay the price agreed and to make necessary improvements or extensions in the system (an issue of revenue bonds in the face amount of \$4,250,000 has been approved); the stockholders of Corona and

Temescal are to approve the transfer on the stated terms (this has been done); Corona is to obtain the release of the lien of its existing bonds by the Northwestern Mutual Life Insurance Company; Corona is to provide for the payment of refundable construction advances covering refund agreements entered into prior to December 16, 1963, as approved by this Commission; Corona is to secure the approval of the Commission to this transaction and the release of Corona from responsibility as a public utility.

Under the foregoing agreement, Corona will cease to operate as a public utility water corporation; Temescal will continue to operate as a public utility furnishing irrigation water only; the City will serve all of Corona's domestic consumers in the presently authorized service area (Exhibit 9); and the City will continue to employ all present employees of Corona except the secretary.

Corona has executed numerous refund contracts pursuant to which it received advances. In order to provide for the repayment of such advances when due, Corona proposes to execute an irrevocable depository agreement (Exhibit 4). Said agreement provides, inter alia, for a deposit by Corona of an amount which, together with interest and accumulations thereon, will be sufficient to provide for the repayment of construction advances when due on agreements executed prior to December 16, 1963. On page 2 of said agreement, it is provided that: "WHEREAS, the total amount which may become due under all of said refund contracts for construction advances so affected is \$ \_\_\_\_\_; and WHEREAS, the amount of \$ \_\_\_\_\_ deposited by Corona with Bank on or before the effective date of

this Agreement, together with income, increments and accruals thereon, investment and reinvestment thereof, and additional deposits that may be made thereto, will provide for the repayment, when due, of said refund contracts for construction advances; ...". Corona agrees to deposit with Bank a fixed sum as the initial depository estate. Temescal agrees to make up shortages in the depository estate as required. A witness for Corona and Temescal testified that there were approximately \$747,758.17 remaining unpaid on 116 outstanding main extension contracts of all types on December 31, 1963, including two of Coney Land Co., one of the interested parties appearing herein, which two had total unrefunded balances on December 31, 1963, of \$109,294.72. Corona and Temescal will agree to place \$390,763.17 in trust to meet the future refunds on the various construction advances. This sum is based on the estimated future refunds discounted to the present value thereof with the application of a discount rate of 6 percent compounded annually. In our opinion the amount so computed, together with the agreement of Temescal to make up shortages, will reasonably provide adequate funds to meet each contract payment when due.

On the record herein we find:

1. The form of the proposed irrevocable depository agreement, Exhibit 4, is reasonable and its execution by the parties should be authorized.
2. Corona and Temescal should be authorized to carry out the terms of the agreement of sale in the form of Exhibit 1 herein.
3. The proposed transfer of the domestic water production, storage, transmission and distribution facilities of Corona and Temescal, as listed in said Exhibit 1, to City is not adverse to the public interest.

4. Upon completion of the transfer to City, Corona should be relieved of its public utility water corporation obligations.

5. The relief of Corona from its public utility obligations and the assumption of said obligations by the City on the closing date specified in Exhibit 1 herein will not be adverse to the public interest.

Upon the findings herein, the Commission concludes that the herein applications should be granted subject to the conditions set forth in the ensuing order.

### O R D E R

IT IS ORDERED that:

1. Corona City Water Company and Temescal Water Company may sell and transfer the assets and property listed in Exhibit 1 herein to the City of Corona under the terms and conditions set forth in said Exhibit.

2. Within thirty days after the closing date of the transfer, Corona City Water Company and Temescal Water Company shall file with the Commission two fully conformed copies of the agreement of sale, Exhibit 1, as executed together with a statement of the date upon which such agreement and transfer became effective.

3. Within ten days after the closing date of the transfer, Corona City Water Company shall file with the Commission a complete list of all its outstanding main extension agreements as of the closing date together with the amounts actually due thereon and to be refunded in the future by Corona City Water Company and/or the City of Corona.

4. On the effective date of actual transfer, and upon compliance with all of the conditions of this order, Corona City Water Company shall stand relieved of its public utility obligations and Temescal Water Company shall stand relieved of its domestic water

public utility obligations in connection with the public utility water system herein authorized to be transferred.

5. Corona City Water Company and Temescal Water Company are authorized to execute an irrevocable depository agreement between Corona City Water Company, Temescal Water Company and a bank to be determined. The agreement shall be in the form of the agreement filed herein as Exhibit 4, but is to be modified so as to include appropriate provision to cover main extension agreements which Corona should execute before making the transfer herein authorized. A fully executed copy of such agreement shall be filed in this proceeding on or before the effective date of the transfer.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of May, 1964.

Hallecombe Purcell  
President  
John E. ...  
... ..  
Fredrick B. Hallock

Commissioners

Commissioner George G. Grover did not participate in the disposition of this proceeding.