

Decision No. 67299**ORIGINAL**

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

In the Matter of the Application of )  
 NATOMAS WATER COMPANY and SOUTHERN )  
 CALIFORNIA WATER COMPANY for an order )  
 or orders (a) authorizing the sale of )  
 the public utility water system property )  
 of Natomas Water Company to Southern )  
 California Water Company; (b) authorizing )  
 Natomas Water Company to refund certain )  
 consumers' deposits; (c) authorizing )  
 Southern California Water Company to )  
 render water service to the public in the )  
 territory served by Natomas Water Company )  
 at the rates of Natomas Water Company )  
 presently in effect and authorizing )  
 Natomas Water Company to discontinue )  
 rendering water service and relieving )  
 Natomas Water Company of further utility )  
 obligations; (d) authorizing Southern )  
 California Water Company to assume )  
 certain liabilities of Natomas Water )  
 Company; 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 )  
 Natomas Water Company.

Application No. 46058  
 (Filed December 23, 1963)

Downey, Brand, Seymour & Rohwer, by Harry B. Seymour  
and John F. Downey, for Natomas Water Company.  
O'Melveny & Meyers, by Donn B. Miller, with C. T.  
Mess, Consulting Engineer, for Southern California  
Water Company.  
Louis A. Boli, III and Martin McDonough, for City  
of Folsom, and John E. Kipp, Jr., in propria  
persona, interested parties.

O P I N I O N

Natomas Water Company seeks authority to sell its operating utility properties in Sacramento County to Southern California Water Company, which joins in the application. Copies of the purchase agreement and other documents relating to the sale are annexed as exhibits to the application or are included in the record as

Exhibits A through G. The basic price to be paid by purchaser for the properties is stated to be \$1,095,410.00. The application was submitted for decision at the conclusion of a public hearing held, after due notice, before Examiner Cline at Sacramento on February 25, 1964.

Natomas is a California public utility corporation which for many years has supplied water for domestic and other uses in and in the vicinity of the City of Folsom.

Southern California is a California public utility corporation which, following consolidation of some twenty public utility corporations in 1929 and with subsequent acquisitions and additions, has rendered public utility water service in the counties of Los Angeles, Kern, San Bernardino, Orange, Imperial, Ventura and Sacramento, through sixteen operating districts.

The purchase agreement, in which the properties are described, recites that buyer, after acquisition, will assume seller's obligations to refund advances for construction and that seller will refund all customers' deposits to guarantee credit due and payable as of the closing date; all such deposits not then due and payable will be transferred to buyer for refund when due.

The record reveals that Southern California has adequate financial resources with which to purchase the properties and that it proposes to render water service to the public in the territory served by Natomas, through the property being sold, at rates of Natomas presently in effect.

The purchase agreement recites, and the record shows, that the City of Folsom has evidenced an interest in acquiring the

Folsom Division of Natomas' properties and is opposed to authorization of the sale of that portion of the system.<sup>1/</sup>

The city, at the hearing, moved to hold this transfer proceeding in abeyance pending outcome of its petition for determination of just compensation, and later submitted a petition to the same effect, signed by a number of residents (Exhibit H). Both Natomas and Southern California opposed the motion on the grounds that: (1) ownership of the properties at the time of condemnation would not affect the issue of just compensation or otherwise be prejudicial to the city or its residents in such a proceeding; (2) the delays attendant upon fixing just compensation by the Commission and holding an election by the city could impede construction of facilities to meet growing demands if, during the interim, the ratio of advances for construction to Natomas' total utility plant (less depreciation reserve) should exceed 50%, thus requiring specific authorization by the Commission for any main extensions required to provide additional service (Water Main Extension Rule, 60 Cal. P.U.C. 312, 327, par. A.2.a.).

The motion to hold the instant application in abeyance should and will be denied. It is well settled that a proceeding in eminent domain, in which the Commission's function of fixing just compensation is an integral part where public utility properties are being taken, is an action in rem, in which everyone who can possibly be affected by the decision has a right to appear and assert his own rights. Granting the herein request to transfer could not possibly prejudice the City of Folsom.

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<sup>1/</sup> The record shows that the city filed a petition of the second class on December 11, 1963 (Application No. 46026), for determination of just compensation for the Folsom Division properties, and that certain preliminary proceedings have been had in connection therewith (Public Util. Code, Sec. 1401, et seq.).

There is nothing in the record of the instant transfer proceeding, or in the present posture of the just compensation petition, to suggest that a delay in issuing our transfer authorization would serve any useful public purpose.

We find that the proposed transfer is not adverse to the public interest. It will, therefore, be authorized in accordance with the ensuing order. Such authorization, however, shall not be construed as a finding of the value of the rights and properties herein authorized to be transferred, or as indicative of amounts to be included in proceedings for the purpose of determining just and reasonable rates.

O R D E R

IT IS HEREBY ORDERED that:

1. Natomas Water Company, a corporation, after the effective date of this order, may sell and transfer and Southern California Water Company, a corporation, may purchase, take and operate the public utility properties and rights described in the purchase agreement herein, dated December 19, 1963 (Exhibit B attached to the application and in evidence) substantially in accordance with the terms and conditions of said agreement and subject to the provisions of this order.

2. Southern California Water Company, after acquisition of the properties herein authorized to be transferred, may exercise any certificate, franchise, right of way, license or permit, including those specifically referred to in said purchase agreement, in the areas presently served by Natomas Water Company through the properties herein authorized to be transferred.

3. On or before the date of actual transfer, seller shall transfer and deliver to buyer, and buyer shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred, subject to access by seller, however, as provided in said purchase agreement.

4. Within thirty days after the consummation of the transfer herein authorized, buyer shall notify the Commission, in writing, of such consummation and within said period shall file with the Commission a true copy of any deed, bill of sale, agreement or other instrument which may be executed to effect said transfer, together with copies of all journal entries which may be used to reflect said transfer in buyer's books of account.

5. The tariff service area map, rate schedules renumbered to be in harmony with buyer's tariffs, ditch system rules and lists of contracts and deviations of seller now on file with this Commission shall be refiled within thirty days after the date of actual transfer under the name of Southern California Water Company in accordance with the procedure prescribed by General Order No. 96-A, together with such revised and additional tariff sheets acceptable to the Commission, as are necessary to provide for the application of Southern California Water Company's present rules and forms to service in the area transferred herein.

6. On or before the end of the third month, after the consummation of the transfer as herein authorized, buyer shall cause to be filed with the Commission, in such form as it may prescribe, an annual report, or reports, covering the period commencing with the first day of the current year to and including the effective date of the transfer.

7. Upon completion of the transfer herein authorized and due compliance with all the provisions of this order, Natomas Water Company, a corporation, shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system and properties herein authorized to be transferred.

8. The authority herein granted will expire if not exercised within one year after the date of issuance of this decision.

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

Dated at San Francisco, California, this 3rd day of June, 1964.

William L. Beards  
President

Carl E. Hill  
Carol O. King

George A. Hoover

Fredrick B. Haliloff  
Commissioners