

ORIGINAL

Decision No. 69303

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application)
of)

LORETTA M. POLLOCK, individually)
and as Conservator of the Estate)
of George D. Pollock, doing)
business as East Monterey Water)
Company,)

and)

CALIFORNIA WATER & TELEPHONE)
COMPANY, a corporation,)

Application No. 47570
Filed May 12, 1965

for an order authorizing:)

a) The leasing of the business)
and properties of East Monterey)
Water Company and the operation)
thereof by California Water &)
Telephone Company, and)

b) The issue of notes of East)
Monterey Water Company to)
California Water & Telephone)
Company and the execution of a)
mortgage to secure said notes.)

O P I N I O N

This is an application for an order of the Commission
(1) authorizing Loretta M. Pollock, individually and as Conservator
of the Estate of George D. Pollock, doing business as East Monterey
Water Service, (a) to issue a \$260,000 note, (b) to execute a
mortgage and (c) to lease all of the public utility assets and

business to California Water & Telephone Company, and (2) authorizing California Water & Telephone Company to operate the properties and facilities comprising East Monterey Water Service within the service area of said system pursuant to the terms of such lease.

Under authority granted by Decision No. 43549, dated November 22, 1949, in Application No. 30765, George D. Pollock acquired from K. Frank Henneken a certificate of public convenience and necessity, together with the water system known as East Monterey Water Service, a public utility providing water service to consumers located in and about the City of Seaside, Monterey County. The application shows that said system is jointly owned by George D. Pollock and Loretta M. Pollock as community property and that due to illness, the enterprise is presently being operated by Loretta M. Pollock, who is the duly appointed, qualified and acting Conservator of the Estate of George D. Pollock.

The most recent annual report of East Monterey Water Service, which covers the year 1964, discloses gross operating revenues of \$129,596, a net loss for the year of \$31,709, and a total of 2,591 active service connections at the end of the period, exclusive of public fire hydrants and private fire connections. Assets and liabilities, as reflected in the December 31, 1964 balance sheet, are summarized as follows:

Assets

Utility plant	\$548,259	
Less: Depreciation reserve	<u>148,326</u>	
Net utility plant		\$399,933
Current and accrued assets, less reserve for uncollectible accounts		22,903
Deferred debits		<u>1,891</u>
Total		<u>\$424,727</u>

Liabilities and Capital

Long-term debt		\$110,462
Notes payable		188,034
Proprietary capital		16,985
Advances for construction		6,840
Current and accrued liabilities, other than notes payable		<u>102,406</u>
Total		<u>\$424,727</u>

According to the application, the utility is in serious financial difficulty which may well affect its continued operation, and it is alleged that since Loretta M. Pollock is not personally experienced in operating a water utility, it is necessary to provide other management to conduct the business properly. To achieve such objective, arrangements have been made to lease the properties and facilities comprising East Monterey Water Service to California Water & Telephone Company, a public utility rendering water service in contiguous territories of Monterey County.

Under the terms of a lease agreement, a copy of which is attached to the application as Exhibit A, California Water & Telephone Company agrees to hire and operate the water system for a period of one year, or until condemnation proceedings pertaining to the acquisition of the public utility properties

of East Monterey Water Service by the Monterey Peninsula Municipal Water District are completed. Among other things, the lease provides for a fixed rental payment of \$1,175 per month to the lessor and contemplates that the lessee will purchase the properties if the voters of the District do not authorize the issuance of revenue bonds in an election to be held on September 28, 1965.

California Water & Telephone Company reports that, contingent upon its hiring and operating the facilities, it has further agreed to lend the lessor \$260,000 for the purpose of discharging outstanding debts incurred by the owners in connection with their public utility operations. As evidence of said loan, the lessor proposes to issue a one-year promissory note in the principal amount of \$260,000, secured by a mortgage and requiring monthly payments of interest at the rate of 6% per annum.

Applicants assert that the proposed transaction is the only practical way to assure the continued operation of East Monterey Water Service and thereby provide the consumers with uninterrupted service.

The Commission has considered this matter and finds that: (1) the leasing of the water utility business as set forth in this proceeding would not be adverse to the public interest, and (2) the proposed issue of a note maturing in one year does not require authorization from this Commission.

On the basis of the foregoing findings we conclude that the application should be (a) dismissed insofar as it seeks authority to issue a one-year note and (b) granted in all other respects. A public hearing is not necessary. The authorization herein granted shall not be construed as a finding of the value of the properties herein authorized to be leased nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Loretta M. Pollock, individually and as Conservator of the Estate of George D. Pollock, may lease all the assets of the public utility water business known as East Monterey Water Service to California Water & Telephone Company pursuant to the terms of a lease agreement, which document shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit A.

2. For the purpose specified in this proceeding, Loretta M. Pollock, individually and as Conservator of the Estate of George D. Pollock, may execute and deliver a mortgage, which document shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit B.

3. California Water & Telephone Company, upon hiring the properties and facilities comprising East Monterey Water Service, shall operate said system in accordance with the lessor's tariffs, rules and regulations on file with the Commission.

4. If the authority herein granted to lease properties is exercised, the lessee, within thirty days thereafter, shall notify the Commission, in writing, of the effective date of the lease.

5. The lessee shall file within five days after the effective date of the lease, a notice of adoption of the presently filed rates and rules of the lessor in accordance with the procedure prescribed by General Order No. 96-A. No increases in presently filed rates shall be made unless authorized by this Commission.

6. On or before the end of the third month after the consummation of the lease as herein authorized, California Water & Telephone Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of the lessor for the period commencing with the first day of the current year to and including the effective date of the lease.

7. This application insofar as it seeks authority to issue a one-year note in the principal amount of \$260,000 is hereby dismissed.

8. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 29th day of JUNE, 1965.

Frederick B. Holdreiff
President

John E. Ditchell

George F. Grover

Augusta

William G. Bennett
Commissioners