

ORIGINAL

Decision No. 69692

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of JURUPA HEIGHTS WATER COMPANY,)
and JURUPA COMMUNITY SERVICES)
DISTRICT for an order authoriz-)
ing the sale of certain proper-)
ties of Jurupa Heights Water)
Company.)

Application No. 47093
Filed November 4, 1964;
Amended June 14, 1965.

O P I N I O N

Jurupa Heights Water Company, hereinafter sometimes called Seller, and Jurupa Community Services District, hereinafter sometimes called the District, have joined in this application for an order of the Commission authorizing the former to sell and transfer its public utility water distribution system to the latter.

Jurupa Heights Water Company is a California corporation operating a public utility water system in certain areas of the County of Riverside shown on maps on file with this Commission. As of December 31, 1963, its number of active service connections amounted to 1,066.

Subject to receiving authorization from this Commission, Seller proposes to sell and transfer its water system properties to the District in accordance with a Waterworks System Acquisition Agreement, hereinafter sometimes called the Agreement, dated November 1, 1963, a copy of which is attached to the application as Exhibit A, as amended by the amendments to the Agreement, which are Exhibit A and Exhibit B attached to the Amendment to Application filed June 14, 1965.

The Agreement, as amended, provides that the basic price to be paid by the District for the waterworks system as defined in the Agreement is \$257,000. This basic price is to be adjusted by

adding (1) the depreciated cost of all property added after January 1, 1963, plus the reasonable and necessary engineering fees related to such property, (2) the cost incurred by the Seller on account of work in progress subsequent to January 1, 1963, and prior to the date of closing, of properties which are to be transferred, to the District, and (3) less the cost, depreciated at January 1, 1963, of all properties and assets in the waterworks system sold or retired subsequent to November 1, 1963, and prior to the date of closing.

Section 11 of the Agreement provides that in the event substantial physical damage be sustained to the properties for any cause, except damage caused by acts of the District, its officers, agents and employees, between the date of the Agreement and the date of closing, an adjustment mutually agreeable to the parties shall be made in the base price.

The Memorandum Financial Report prepared by a representative of the Finance and Accounts Division of the Commission staff, dated December 28, 1964, together with the transmittal memorandum therefor, dated December 31, 1964, are hereby made a part of the record herein as Exhibit 1. Table A of Exhibit 1 is a comparative summary of the utility plant of Jurupa Heights Water Company as of November 30, 1964 and January 1, 1963. During this period there have been increases in utility plant amounting to \$74,811. As of November 30, 1964, the utility plant in service amounted to \$285,913, construction work in progress to \$6,296 and depreciation reserve to \$55,367, leaving net utility plant of \$236,842, according to Table B of Exhibit 1.

Exhibit 1 shows the calculated proceeds from the sale of the water system as of November 30, 1964, to be as follows:

	<u>Amount</u>
Basic Purchase Price, January 1, 1963	\$257,000
<u>Add</u> Net Increase Utility Plant in Service	74,811
Construction Work in Progress	6,296
Increase in Materials and Supplies	10
	<u>338,117</u>
<u>Less</u> Increase in Reserve for Depreciation	<u>11,652</u>
Calculated Purchase Price November 30, 1964	326,465

Section 3(e) of the Agreement provides that the District shall not be responsible for Seller's obligations under any main extension agreements, customers' deposits, advances in aid of construction, or any similar arrangement, and that Seller shall remain responsible for and carry out all such obligations. The District will, however, upon request advise Seller as to water delivered and billings made to such customers as Seller shall advise District have rights under such arrangements, or such other comparable information as Seller shall require in carrying out such obligations. The letter dated December 16, 1964, from the attorney for the District to Mr. Hendricks of the Commission staff, which is hereby made a part of the record as Exhibit 2, states:

"The district will purchase all of the assets for cash and the district will not assume any obligations of the Jurupa Heights Water Company and will not be responsible for any liabilities of the Jurupa Heights Water Company."

Table B of Exhibit 1 shows that as of November 30, 1964, Seller had \$1,410 of customer deposits, \$4,620 of advances for construction, and \$10,908 of contributions in aid of construction. There is also a note payable to Union Bank in Orange, California, in

the amount of \$45,060 and \$92,998 payable to business interests of Mr. Beauchamp and Mr. Brown, who are Seller's principal stockholders.

As stated in paragraph IV of the application herein, the District proposes to operate the distribution system which it acquires pursuant to the Agreement as an integral part of its water distribution system in the Jurupa Heights area.

The Commission finds that a public hearing herein is not necessary and that the proposed transfer as hereinafter authorized would not be adverse to the public interest. The Commission concludes that the application should be granted and that Seller should make provision for payment of its obligations other than those due to business interests of its principal stockholders by providing that sufficient funds out of the proceeds of the sale herein authorized shall be deposited in escrow for such purpose.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Jurupa Heights Water Company is authorized, subject to the conditions of this order, to sell those public utility water system properties described in the Agreement, dated November 1, 1963, attached to the application herein as Exhibit A, to Jurupa Community Services District for the sum of \$257,000, adjusted in accordance with the provisions of said Agreement, as amended by Exhibits A and B attached to Amendment to Application filed June 14, 1965.

2. The authority granted herein shall expire one year after the effective date hereof unless earlier exercised.

3. When Jurupa Heights Water Company has sold the properties described in the application herein, it shall so certify to the Commission in writing within ten days. Such certification shall

state the total amount of the actual sales price paid for said properties.

4. On or before the date of actual transfer, Jurupa Heights Water Company shall refund all customers' deposits and all advances for construction which are subject to refund and due to be refunded on or before said transfer date.

5. Upon completion of the sale of the public utility properties authorized herein, and upon payment of customers' deposits and advances for construction due to be refunded as of the transfer date, Jurupa Heights Water Company shall stand relieved of its public utility obligations in connection with the public utility water system herein authorized to be transferred except as to refund of the remaining outstanding advances for construction. Jurupa Heights Water Company shall certify to the Commission in writing the time of payment of the customers' deposits and the advances for construction which are subject to refund and due to be refunded on or before said transfer date.

6. Before transfer of its assets Jurupa Heights Water Company shall deposit a sufficient sum of money in escrow with a suitable bank, trust company or other licensed escrow agent, with escrow instructions for payment of the refunds of extension agreements and other outstanding obligations exclusive of amounts due to business interests of its principal stockholders Beauchamp and Brown,

and shall file a copy of said escrow agreements with the Commission within ten days thereafter.

The effective date of this order shall be fixed by further order after compliance with paragraph 6 of this order.

Dated at San Francisco, California, this 21st day of September, 1965.

[Signature] President

[Signature]

[Signature] Commissioners

DISSENTING OPINION OF COMMISSIONERS GROVER
AND HOLOBOFF

If the majority of the Commission were willing to look into the price being paid by the district in acquiring this water system, we would urge a public hearing to obtain additional information relating to that issue. However, the majority position, as we understand it, is that this Commission should not concern itself with the purchase price and should instead leave that question to the governing board of the district. We believe, as a legal matter, that the majority position is in error and that, under Section 851 of the Public Utilities Code, this Commission should require adequate justification of the amount being paid by the public for property already dedicated to public use. On the ex parte record now before us, the price being paid here has not been justified. Obviously, nothing would be accomplished by holding a hearing unless a majority of the Commission were willing to consider the evidence that might be presented. Accordingly, rather than request a hearing, we simply dissent; through an error of law the Commission majority has abdicated its powers to the district board.

George E. Grover

Frederick B. Holoboff

Commissioners