

**ORIGINAL**

Decision No. 70435

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of (1) CALIFORNIA CITIES WATER COMPANY for authority (a) to acquire the water properties and certificate of public convenience and necessity of The Swarthout Valley Water Company; (b) to assume responsibility for rendering water service to the customers thereof; and (c) to adopt water rates, rules and regulations of The Swarthout Valley Water Company, effective in that utility's certified area, and

Application No. 48019  
(Filed November 1, 1965)

(2) THE SWARTHOUT VALLEY WATER COMPANY for authority (a) to sell all of its water properties to California Cities Water Company; (b) to discontinue the rendering of water service; (c) to be relieved of responsibility to its customers therefor; (d) to be released from obligations now existing under its main extension agreements; and (e) to liquidate and dissolve.

OPINION AND ORDER

By this application California Cities Water Company (Cities) seeks authority to purchase all of the assets of Swarthout Valley Water Company (Swarthout), certain construction advance contracts owned by Wrightwood Co. Inc., and certain parcels of real property not owned by Swarthout for a total purchase price of \$240,000 pursuant to the terms of the agreement, Exhibit 1, attached to the application. Cities will acquire the certificate of public convenience and necessity granted to Swarthout by

Decision No. 30255 and will adopt Swarthout's rates for water service in the Wrightwood area.

Cities, a wholly owned subsidiary of Consolidated Water Company, a Delaware corporation, was authorized by Decision No. 68242, dated November 24, 1964, in Application No. 47080, to merge with Clinton County Water Company of Ohio; Columbia Land and Water Company and San Dimas Water Company (California mutual water companies); and San Dimas-Charter Oak Domestic Water Company (a California public utility).

A report dated February 11, 1966, on the results of their investigation of the application has been submitted by a Commission staff engineer and a Commission staff financial examiner. Said report is received as Exhibit 9.

The Commission staff engineer, in Exhibit 9, concluded that Cities has management and operating personnel adequate to operate Swarthout in addition to its present operations, and recommended that Cities institute a program for the periodic testing of Swarthout's water meters, meeting the requirements of General Order No. 103, and establish an annual routine inspection and maintenance program for Swarthout's pressure control valves.

The Commission staff financial examiner found certain discrepancies in Swarthout's accounts, and recommended that Swarthout adjust its accounting records to reflect the corrections of such deficiencies disclosed in paragraphs 10 and 11 of Exhibit 9.

Exhibit 10 is a copy of a letter dated February 11, 1966, addressed to the applicants by the Commission forwarding copies

of Exhibit 9 for their attention, Exhibit 11 is applicants' responses dated February 16, 1966 that Cities would not request a hearing, had no questions about the staff report, Exhibit 9, and that Swarthout approved said exhibit and its recommendations.

The request of California Cities Water Company to terminate construction advance contracts presently held by Wrightwood Co. Inc. involves a deviation from the provisions of Section C3a of the Main Extension Rule. Our approval in this proceeding is not to be regarded as committing the Commission in any future rate proceeding.

Based on the information contained in the application and the conclusions and recommendations contained in Exhibit 9, the Commission finds that the proposed acquisition by California Cities Water Company of Swarthout Valley Water Company's assets, of certain construction advance contracts owned by Wrightwood Co. Inc., and of parcels of real property not owned by Swarthout all pursuant to the terms of the agreement, Exhibit 1, attached to the application, as modified by the recommendations of the Commission staff in Exhibit 9, would not be adverse to the public interest and that public hearing is not necessary. The Commission concludes that the application should be granted.

IT IS ORDERED that:

1. California Cities Water Company may acquire and Swarthout Valley Water Company may transfer the certificate of public convenience and necessity granted by Decision No. 30255 together with the water system operations and assets and certain construction advance contracts and parcels of real property referred to in this proceeding pursuant to the terms of the agreement, Exhibit 1, attached to the application, as modified by the recommendations of the Commission staff contained in paragraphs 20, 21 and 22 of Exhibit 9. To this extent applicant may deviate from Section C3a of its Main Extension rule.

2. Cities, upon acquiring said operations and assets, may assume the liabilities of Swarthout.

3. Cities shall account for the acquisition of the properties herein authorized to be transferred, in accordance with the requirements of Plant Instruction 4 of the Uniform System of Accounts for Water Utilities (Class A, Class B and Class C), and within sixty days after the consummation of the transfer, it shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

4. On or before the date of actual transfer, Swarthout shall refund all deposits, if any, which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and shall become the obligation for refund of Cities.

5. On or before the date of actual transfer, Swarthout shall transfer all advances for construction held by it to Cities and the latter shall assume the obligation for repayment of such advances, except those to be acquired from Wrightwood Co. Inc., which contracts shall be terminated. Applicants, within fifteen days after the date of transfer, shall file jointly with this Commission a certified copy of an appropriate instrument showing the names of all persons or corporations in whose favor such obligations exist and the amounts thereof.

6. On or before the date of actual transfer, Swarthout shall transfer and deliver to Cities all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred and the latter shall receive and preserve such records, memoranda and papers.

7. If the authority herein granted to transfer properties is exercised, Cities, within thirty days thereafter, shall notify the Commission, in writing, of the date of completion of such transfer.

8. Cities shall file, within five days after the effective date of the transfer, a notice of adoption of the presently filed tariff schedules of Swarthout.

9. The rates and rules of Swarthout now on file with the Commission shall be refiled within thirty days after the effective date of the transfer under the name of Cities, in accordance with the requirements of General Order No. 96-A, except that Cities may withdraw such rules and standard forms of Swarthout as are substantially identical with the rules and standard forms of Cities, and withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules of Swarthout.

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

11. Upon compliance with the terms and conditions of the transfer, Swarthout shall stand relieved of all further public

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

The effective date of this order is the date hereof. Any authority herein granted and not exercised shall expire on June 30, 1966.

Dated at San Francisco, California, this 8<sup>th</sup> day of MARCH, 1966.

Frederick B. Holdstock  
 President

Edward J. Mitchell

George L. Traver

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Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner A. W. Gator, being necessarily absent, did not participate in the disposition of this proceeding.