

ORIGINAL

Decision No. 71066

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of HILMAR WATER WORKS
a corporation, and the HILMAR
COUNTY WATER DISTRICT for per-
mission to sell the physical assets
of the Hilmar Water Works to the
HILMAR COUNTY WATER DISTRICT.

Application No. 48537
(Filed June 6, 1966)

O P I N I O N

Hilmar Water Works (Company) and the Hilmar County Water District (District) request authorization for Company to sell to District a water supply, storage and distribution system within an area known as Hilmar, Merced County, California.

A purchase agreement, a copy of which is attached to the application as Exhibit A, was executed by applicants on May 21, 1966. It provides that for \$20,000 Company will sell to District the physical assets and real estate free and clear of all encumbrances except that the real estate shall be sold subject to all conditions, restrictions, rights of way, and easements, if any of record, and said real estate and physical assets shall be sold subject to taxes for fiscal year 1966-67 which may be a lien but are not yet payable. Exhibit B attached to the application delineates the water storage and distribution system and facilities owned by Company. Company's water system is entirely within the boundaries of District. As of December 31, 1965, Company served 195 customers, excluding fire hydrants. The original cost of the physical properties of the water system is not known; but the recorded book value of the physical properties as of April 1, 1966, after depreciation, was \$31,342.

The agreement provides that Company shall remain liable for all customers' deposits with and customers' advances to Company, if any. The agreement further provides that the obligation of District to purchase and of Company to sell is conditioned upon the approval, as provided by law, of the acquisition of said property by District and the sale of bonds of District sufficient to provide District with the necessary funds to acquire said property on or before May 21, 1967.

The application states that the character of the business to be performed by District after the purchase of said water system is to serve more adequately the territory included within the boundaries of District with domestic water and to provide fire protection service. The application further states that the reasons of each applicant for entering into the proposed transaction and the facts warranting the same are that the water distribution system is of inadequate size, the supply and quality of water is marginal, and that it would require reconstruction and substantial extensions in order to provide an adequate supply of water for both domestic and fire protection purposes. District has authorized a general obligation bonded indebtedness in the amount of \$170,000 for the purpose of providing funds with which to acquire, improve and enlarge the existing water system to provide District with an adequate water supply for both domestic and fire protection purposes.

The following stipulation was included in the application:

"10. Applicant Hilmar County Water District hereby stipulates that:

- (a) Hilmar County Water District will be subject to all legal claims for water services which might have been enforced against Hilmar Water Works, including such claims as may exist in territory outside of the boundaries of the District.

- (b) Hilmar County Water District will, where any person has advanced money to Hilmar Water Works for installation of facilities and the facilities have not been installed and the money has not been refunded, proceed at the expense of Hilmar Water Works to install the facilities.
- (c) As to the rates, rules and conditions of service which the District will apply within the service area of the system herein authorized to be transferred, they are the same as will apply to the District as a whole as the boundaries of the District encompass the entire service area of the system herein authorized to be transferred and if any territory may exist outside of the boundaries of the District, the District will not discriminate between service rendered outside of the District boundaries and service rendered inside of said boundaries, except insofar as it may adjust such outside rates and charges to offset any reasonable tax burden sustained by water users within the District boundaries in subsidizing the operation of the District's water system."

We find that:

1. The terms of the purchase agreement adequately protect deposits and advances made by customers of Company.
2. District has the ability to acquire and operate Company's water system without interruption in service.
3. Upon the consummation of the proposed transfer Company will no longer be engaged in performing public utility service.
4. Subject to the conditions set forth in the order which follows, the proposed sale and transfer will not be adverse to the public interest.

We conclude that the application should be granted as provided by the following order and that a public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Hilmar Water Works (Seller), a corporation, may sell and transfer to Hilmar County Water District (Purchaser) the properties referred to herein substantially in accordance with the terms described in the agreement attached to the application herein and designated as Exhibit A, but subject to the conditions of this order.

2. Before the transfer of its water system assets, Seller shall return to customers any refundable deposits made to establish credit and shall refund all advances for construction or 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 as they become due, and shall file a copy of said escrow agreements, or a statement that all deposits and advances have been refunded, with the Commission within ten days thereafter.

3. Within five days after the date of actual transfer, Seller shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect such transfer.

4. Upon compliance with all of the conditions of this order, Seller shall stand relieved of its public utility obligations in the area served by the transferred system and may discontinue service concurrently with the commencement of service by Purchaser.

The effective date of this order shall be established by supplemental order herein after compliance with paragraph 2 of this order.

Dated at San Francisco, California, this 2nd day of AUGUST, 1966.

John E. Mitchell
President

George H. Grover

Frederick B. Hillhoff

Augustan

William L. Bennett
Commissioners