

**ORIGINAL**

Decision No. 71110

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 OAKWOOD INVESTMENT COMPANY, dba )  
 BROCKWAY WATER COMPANY, and NORTH )  
 TAHOE PUBLIC UTILITY DISTRICT for )  
 an Order granting and conferring )  
 upon OAKWOOD INVESTMENT COMPANY )  
 all necessary permission and )  
 authority to perform and carry out )  
 the provisions of the agreement )  
 made by and between Applicants )  
 dated October 5, 1965, as )  
 supplemented. )

Application No. 48474  
(Filed May 16, 1966)

O P I N I O N

Oakwood Investment Company (seller), a Nevada Corporation, doing business as Brockway Water Company, seeks authority to transfer its water system to North Tahoe Public Utility District (buyer), and to discontinue service. Buyer joins in the application.

Seller's annual report to this Commission for the year 1965 shows that seller serves about 1200 customers. The service area includes several subdivisions at Brockway, Placer County, on the north shore of Lake Tahoe, adjacent to the California-Nevada border. A comparison of Exhibit E, a map showing the territory served by seller, and Exhibit F, a map showing the territory within buyer's boundaries, shows that the two territories are of about the same size but that each territory includes some parcels not within the other. The present and future customers located outside of buyer's boundaries will be covered by a stipulation by buyer which is included in the purchase agreement:

"The District will continue to serve within the service area of the system which it is acquiring under this agreement, and as to the service, rules and rates it will apply in the service area, it will not discriminate between service rendered outside the boundaries of the District and service rendered inside 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 and providing for the operation of the water system."

Buyer owns and operates works for collecting and disposing of sanitary sewage, but does not own any facilities for supplying water to the public. It does, however, hold a permit issued by the State Water Rights Board, authorizing the appropriation of water for public use. The permit is conditioned upon buyer's acquisition of seller's system.

On October 5, 1965, seller and buyer entered into an agreement, a copy of which is included in Exhibit A, providing for the sale of the water system. On March 1, 1966, and on March 28, 1966, the original agreement was clarified and modified slightly by supplemental agreements, copies of which are also included in Exhibit A. The agreed purchase price is \$200,000, adjusted for (1) net additions subsequent to January 1, 1965, (2) customers' deposits and (3) customer prepayments. A cash payment of 29 percent of the purchase price will be paid on the closing date by buyer from funds it has on hand. The remaining 71 percent of the purchase price is payable in 15 equal annual installments which will include interest at 5 percent per year on the declining unpaid balance. The source of funds for the annual installments is to be the net revenues from buyer's operation of the system. Buyer agrees to pay 7 percent interest per year on any delinquent portions of installments.

Seller has no unrefunded advances for construction nor contributions in aid of construction. As of December 31, 1964, the net book cost of the facilities to be sold was:

<u>Item</u>	<u>Gross</u>	<u>Net</u>
<u>Entire Water System</u>		
Book Cost	\$256,052	
Book Depreciation Reserve	<u>105,004</u>	\$151,048
<u>Portion Retained by Seller</u>		
Book Cost	26,559	
Book Depreciation Reserve	<u>10,748</u>	<u>15,811</u>
Net Book Cost		\$135,237

The portion of the system properties to be retained by seller is closely connected with nonutility operations of seller. Ownership thereof is not deemed necessary by buyer. The exclusions are:

- a. Seller's golf course sprinkler system, pump station and intake lines.
- b. Seller's hotel pump station, intake line and pipelines on hotel property.
- c. Seller's office space on its hotel property.
- d. Cash and accounts payable.
- e. Seller's appropriative right to water for its golf course and seller's riparian water rights.

For a period of not more than two years, until buyer has constructed a new lake intake and pumping station, seller will permit buyer to utilize certain of the properties excluded from the sale.

Seller alleges that it desires to sell its water system because of the continuing threat of condemnation of the system by buyer. Buyer alleges that it desires to buy the system in order to operate it in coordination with its sanitary sewer system to the mutual advantage of the two systems. Buyer also believes that public ownership of the water system is more appropriate for the

area served, and that buyer will be more readily able to provide required new capital for rehabilitation and expansion of the system.

Seller's 1965 annual report to this Commission shows that it had only \$86 of customer's deposits on December 31, 1965.

Inasmuch as buyer's rules regarding refunding such deposits may differ from those of seller, it is appropriate that the outstanding deposits be refunded prior to the transfer.

#### Findings and Conclusion

The Commission finds that the proposed transfer is not adverse to the public interest and that a public hearing is not necessary. The Commission concludes that the transfers should be authorized, subject to the conditions of the order which follows.

The authorization herein granted does not constitute a finding as to the value of the properties herein authorized to be transferred.

#### O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Oakwood Investment Company (seller) may transfer to North Tahoe Public Utility District (buyer) the public utility water system serving Brockway and vicinity, Placer County, substantially in accordance with all of the terms (except as to transfer of customers' deposits) of the agreements and supplements thereto, Exhibit A attached to the application.
2. On or before the date of actual transfer, seller shall return to customers any refundable deposits made to establish credit.
3. Within ten days after the date of actual transfer, seller shall file in this proceeding written notification of the refunding

of all deposits, the date of transfer, and the date upon which buyer shall have assumed operation of the water system authorized herein to be transferred. A true copy of the instrument or instruments of transfer shall be attached to the written notification.

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

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

Dated at San Francisco, California, this 9<sup>th</sup> day of AUGUST, 1966.

[Signature]  
President

[Signature]

[Signature]  
Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

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