

Decision No. 71163

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MARINA WATER WORKS, INC.,)
 a California corporation, formerly VISTA)
 DEL CAMINO COMPANY, a California)
 corporation, Transferor, for an order)
 authorizing the transfer of a Certificate)
 of Public Convenience and Necessity and)
 approving sale of a water system known as)
 MARINA WATER WORKS, INC. to MARINA COUNTY)
 WATER DISTRICT, State of California, a)
 municipal corporation, Transferee; and of)
 MARINA COUNTY WATER DISTRICT to purchase)
 MARINA WATER WORKS, INC.)

Application No. 48595
 (Filed July 5, 1966)

O P I N I O N

Marina Water Works, Inc. (seller) and Marina County Water District (buyer) request authorization for seller to transfer its certificate of public convenience and necessity to buyer; to sell its water system to buyer and to be relieved of all public utility obligation upon the transfer of seller's property to buyer.

Seller on December 31, 1965, had 1478 active service connections, including 49 to public fire hydrants, by which it serves commercial (including domestic) water to customers in a service area located about eight miles north of the City of Monterey and approximately fifteen miles west of the City of Salinas on State Highway No. 1, Monterey County.

On December 7, 1965, seller and buyer entered into an agreement, a copy of which is attached to the application, providing for the sale of the water system and other assets of seller other than cash, petty cash, savings accounts and accounts receivable other than from water consumers. The agreed purchase price is \$625,000 cash adjusted for the following: (1) Plus net additions

from January 1, 1965, to closing date; (2) Plus material and supplies, including office supplies, on hand on the closing date; (3) Plus 95% of unpaid charges for water service which were billed not more than sixty days prior to the closing date; (4) Less retirements of property and depreciation accruing after January 1, 1965, to the closing date; and (5) Plus miscellaneous prorations of taxes, work in progress, prepaid charges and other proratable items.

Seller's annual report to this Commission for the year 1965, hereby incorporated as a part of this record by reference shows, as of the end of that year, utility plant in service in the amount of \$531,114.85; a reserve for depreciation of utility plant of \$60,104.88; advances for construction amounting to \$264,696.50; no contributions in aid of construction and customers' deposits totaling \$1,330.00. As of March 31, 1966, the amount for advances for construction had increased to \$297,257.23 and the amount for customers' deposits had increased to \$1,415.00.

Voters in the district of buyer have authorized buyer to issue \$950,000.00 of general obligation bonds to provide for the purchase of seller's water system and \$1,310,000.00 of general obligation bonds to operate a sewer system in buyer's district. The service area map attached to the application indicates that buyer's district area includes all of seller's service area.

The application states that buyer has determined that the public interest and necessity requires and demands that seller's water system be operated by buyer and that buyer has notified seller that buyer may use its powers of eminent domain. Thereafter, seller and buyer after negotiating for a considerable period entered into an agreement of sale.

The agreement sets forth that buyer will not assume liability for refunds under main extension agreements or advances in

aid of construction on the seller's books at the closing date. However, should seller be unable to obtain the termination of any main extension agreement, buyer will provide seller with consumer revenue information necessary for seller to discharge the obligation during the term of the obligation. On the closing date, cash deposits from consumers will be assigned to buyer for rebate to the customers by buyer.

The Commission finds that:

1. The terms of the purchase agreement and this application adequately protect deposits by customers of seller.
2. Since seller contemplates dissolution, the purchase agreement and application does not adequately insure the refund of advances for construction.
3. Buyer has the ability to acquire and operate seller's water system without interruption in 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. Buyer, being exempt from Commission jurisdiction, does not need the certificate of public convenience and necessity for which transfer is requested.

The action taken herein is not to be construed as a finding of the value of the properties to be transferred.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Marina Water Works, Inc. may sell and transfer to Marina County Water

District 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 refund all advances for construction and shall file a statement with the Commission that all advances have been refunded or, before the transfer of its water system assets, seller shall file with this Commission a copy of a trust agreement made and entered into between seller and a suitable bank, trust company or other licensed escrow agent, containing escrow instructions for payment of the refunds of advances for construction and providing that a sufficient sum of money to refund all said advances has been deposited or will be deposited from escrow as part of the purchase amount on the closing date of the sale of the transferred system. The foregoing statement or trust agreement shall set forth by contracts the construction advance contract holder, contract original date, contract terms, contract original amount, contract expiration date and contract amount refunded or estimated amount to be refunded.

3. The foregoing authority is conditioned upon the filing in this proceeding of a verified statement by buyer that:

- (a) Buyer will be subject to all legal claims for water service which might have been enforced against seller, including such claims as may exist in territory outside of purchaser's boundaries.
- (b) As to the rates, rules and conditions of service which buyer will apply in the service area of the system herein authorized to be transferred, it will not discriminate between service rendered outside its district boundaries 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 in subsidizing the operation of the district's water system.

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

5. Within ten days after the date of actual transfer, seller shall file with the Commission written notice of the date of transfer and a true copy of any bill of sale or other instrument of transfer which may be executed to effect such transfer.

The effective date of this order shall be established by supplemental order herein after compliance with paragraphs 2 and 3 of this order.

Dated at San Francisco, California, this 23rd day of AUGUST, 1966.

Robert E. Mitchell
President

George T. Brewer

Augustus

William W. Bennett

Commissioners

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