

ORIGINAL

Decision No. 71314

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of R. W. LAND COMPANY,)
 a California corporation, for approval)
 of disposition of property through)
 sale of water production and distribu-)
 tion facilities to the CITY OF)
 STOCKTON, a California Municipal)
 Corporation, which joins in said)
 application.)

Application No. 48611
(Filed July 12, 1966)

O P I N I O N

R. W. Land Company (seller) and City of Stockton (buyer) request authorization for seller to sell and transfer its water system to the City of Stockton.

Seller on December 31, 1965, had 383 active service connections by which it served water to residential customers at flat rates and to a school at metered rates in a service area located entirely within the city limits of buyer.

On May 26, 1966, seller and buyer entered into an agreement, a copy of which is attached to the application as Exhibit 1, providing for the sale of the water system and other assets of seller used in public utility service in its service area. The agreed purchase price is \$120,000 in cash adjusted for the following: (1) Prepayments made by customers are to be deducted from the purchase price; (2) 90% of customer accounts receivable on the date of closing which have been accrued less than three months prior to the date of closing are to be added to the purchase price; and (3) Buyer will pay for additions and betterments made to plant between December 31, 1965, and closing date.

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 1965 utility plant in service in the amount of \$128,813.25, a reserve for depreciation of utility plant of \$18,392.24, advances for construction amounting to \$52,881.31, no contributions in aid of construction and no customers' deposits.

Seller agreed, in Exhibit 1, that prior to close of escrow, it would purchase, or acquire at its own expense, all outstanding water main extension contracts applicable to its service area so that neither buyer nor seller will be under any responsibility whatsoever to make payments to third parties for the previous installation of water facilities.

The application states that the transfer of seller's water system to buyer is in the interest and for the benefit of the public because said system will be interconnected with other facilities presently owned by buyer to provide: (1) an interchange of water between seller's existing system and another water system, (2) additional supplies of water for domestic uses, (3) standby and emergency supplies of water for fire protection purposes, (4) protection against the effects of electrical outages, and (5) increased reliability of water service.

We find that:

1. The terms of the purchase agreement adequately protect the interest of customers and refund contract holders in deposits and advances for construction.
2. Buyer has the ability to acquire and operate seller's water system without interruption in service.
3. Seller's dedicated area of service is entirely within the boundaries of buyer.

4. Upon the consummation of the proposed transfer seller will no longer be performing public utility service in this area.

5. 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.

ORDER

IT IS ORDERED that:

1. Within one year after the effective date of this order, R. W. Land Company may sell and transfer to the City of Stockton the properties referred to herein, substantially in accordance with the terms described in the agreement attached to the application herein and designated as Exhibit 1, 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 return to customers any refundable deposits made to establish credit 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 deposits and 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 ten days after the date of actual transfer, seller shall file in this proceeding written notice of the date of

transfer, the date upon which buyer shall have assumed operation of the water system authorized herein to be transferred, and a true copy of the instrument or instruments 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 all of its public utility obligations, except refunds of advances for construction and deposits, 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 27th day of SEPTEMBER, 1966.

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

Robert E. Natchez
President

George G. Hoover

Frederick B. Holcluff

Augustin

Commissioners