

ORIGINAL

Decision No. 71569

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of BAY WATER COMPANY and SOUTHERN CALIFORNIA WATER COMPANY for an order or orders (a) authorizing the sale of the public utility water system property of Bay Water Company to Southern California Water Company; (b) authorizing Bay Water Company to refund certain consumers' deposits; (c) authorizing Southern California Water Company to render water service to the public in the territory served by Bay Water Company at the rates of Bay Water Company presently in effect and authorizing Bay Water Company to discontinue rendering water service and relieving Bay Water Company of further utility obligations; (d) authorizing Southern California Water Company to assume certain liabilities of Bay Water Company; and (e) authorizing Southern California Water Company to exercise rights under any franchises to be acquired by it in order to render water service in the area presently served by Bay Water Company.

) Application No. 48772
 (Filed September 8, 1966)

O'Melveny and Myers, by Donn B. Miller, for
 Southern California Water Company, applicant.
John D. Reader, for the Commission staff.

O P I N I O N

This request of Bay Water Company (seller) and Southern California Water Company (buyer) for authority to transfer the Bay Water Company water system near Pittsburg in Contra Costa County to Southern California Water Company was heard before Examiner Coffey in San Francisco and submitted for decision on November 7, 1966.

Seller, on December 31, 1965, had 2,132 active metered service connections and 78 flat rate public fire hydrant connections.

On September 1, 1966, seller and buyer entered into an agreement, a copy of which is attached to the application as Exhibit B, providing for the sale of the water system and other assets of seller used in connection with the performance of public utility service by

seller. The agreed cash purchase price is \$524,000 adjusted as set forth in Exhibit B for the following: Property additions after June 30, 1966; refunds of advances for construction paid after June 30, 1966; materials and supplies on hand on the closing date; retirements; depreciation accrued after June 30, 1966; utility services received but not paid; and unspent advances.

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 the amount of \$797,169.79, a reserve for depreciation of utility plant of \$213,054.90, advances for construction amounting to \$64,241.36, contributions in aid of construction amounting to \$1,305.67, and customers' deposits amounting to \$4,457.00.

As set forth in Exhibit B, buyer agreed to assume the obligations of seller for reimbursement of advances for construction and to make refunds of customers' deposits when they are due according to the rules and regulations pursuant to which they were obtained.

Exhibit 1 shows that if buyer had operated seller's water system during the year 1965 the total operating expenses would have decreased from \$110,608 to \$108,405. Witness for buyer testified that a rate increase will not be generated by the transfer of the property and that net utility operating income will increase under operation by buyer. Other advantages that accrue as a result of this proposed transfer were stated to be ability of buyer to finance improvements when required and buyer's extensive utility operating experience and capable engineering staff. The present non-resident manager of seller's system is effecting an early retirement.

The application requests authorization to exercise by buyer any franchise rights to be acquired by it in the areas presently served by seller. The following order will not specifically make

such an authorization since this record does not contain a delineation of the franchise rights in question.

The Commission finds that:

1. Buyer has the ability to acquire and operate seller's water system without interruption in service.
2. The terms of the purchase agreement adequately protect the respective interests of customers and refund contract holders in deposits and advances for construction.
3. Upon the consummation of the proposed transfer seller will be no longer 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.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Bay Water Company may sell and transfer to Southern California Water Company the properties referred to herein, substantially in accordance with the terms described in the agreement attached to the application herein and designated as Exhibit B, but subject to the conditions of this order.
2. After the effective date of this order, and not less than five days before the date of actual transfer, buyer shall file new and revised tariff sheets, including a tariff service area map to provide for the application of buyer's present rules and seller's present rates to seller's service area. Such filing shall comply with General Order No. 96-A. The effective date of the new and revised tariff sheets shall be the date of actual transfer.

3. On or before the date of actual transfer, seller shall refund all customers' deposits and advances for construction, if any, which are due and payable as of the date of transfer. All unrefunded deposits and advances shall be transferred to buyer, who shall be responsible for their refund when due.

4. On or before the date of actual transfer, seller shall deliver to buyer, and buyer shall receive and preserve, all available records, memoranda and papers pertaining to the construction and operation of the properties authorized herein to be transferred.

5. Within five days after the date of actual transfer, seller and buyer shall file in this proceeding a written statement, showing:

- (a) The date of transfer. A true copy of the instrument of transfer shall be attached to the statement.
- (b) The date of compliance with the foregoing paragraphs 3 and 4.

6. 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 buyer.

7. Buyer shall prepare and keep current the system map required by paragraph I.10.A of General Order No. 103. Within sixty days after the date of actual transfer, buyer shall file with this Commission two copies of this map.

8. For the year 1967, buyer shall determine the depreciation rate for each depreciable primary plant account relating to the transferred system by (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. Buyer shall review its depreciation rates for said system at intervals of one year. The results of each review shall be submitted promptly to the Commission.

9. On or before the end of the third month after the date of actual transfer, buyer shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report covering the period from the first day of the current year to and including the effective date of the transfer.

10. Buyer shall account for the acquisition of the properties herein authorized to be transferred in accordance with the requirements of plant Instruction No. 4 contained in the Uniform System of Accounts for Water Utilities (Class A, Class B, and Class C). Within sixty days after the consummation of the transfer, buyer shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

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

Dated at San Francisco, California, this 22nd day of NOVEMBER, 1966.

[Signature]
President

[Signature]

[Signature]

Commissioners

Commissioner George G. Grover did not participate in the disposition of this proceeding.

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