

ORIGINALDecision No. 71650

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WEED WATER COMPANY,)
 WEED WATER AND SEWER COMPANY, INC.,)
 and CITY OF WEED, a municipal)
 corporation, for an order under)
 Public Utilities Code Section 851)
 Authorizing the Sale of the)
 operating properties of WEED WATER)
 COMPANY to WEED WATER AND SEWER)
 COMPANY, INC., a nonprofit)
 corporation.

Application No. 48672
 (Filed July 28, 1966)

Application of BALL WATER COMPANY,)
 WEED WATER AND SEWER COMPANY, INC.,)
 and CITY OF WEED, a municipal)
 corporation, for an order under)
 Public Utilities Code Section 851)
 Authorizing the Sale of the)
 operating properties of BALL)
 WATER COMPANY to WEED WATER AND)
 SEWER COMPANY, INC., a nonprofit)
 corporation.

Application No. 48673
 (Filed July 28, 1966)

McLean, Klingberg & Houston, by
Judson T. Klingberg, for Weed
 Water Company.

Tebbe, Correia & Kleaver, by
J. P. Correia, for Weed Water
 and Sewer Company, Inc., and
 City of Weed.

No appearance for Ball Water Company.

O P I N I O N

The applications of Weed Water Company and Ball Water Company were consolidated for hearing and heard on a common record before Examiner Robert Barnett at Weed, California, on September 23, 1966, on which date they were submitted. Copies of the application and the notice of hearing were served and published in accordance with the Commission's procedural rules. There are no protests.

Weed Water Company is now operating a water system at Weed, California, for the sale and distribution of water pursuant to a certificate of public convenience and necessity issued by this Commission. (Decision No. 62885 in Application No. 41651, dated December 5, 1961.) The City of Weed (City) which presently operates a water system has embarked on a program of extending municipal facilities, including the acquisition of water and sewer systems. Weed Water and Sewer Company, Inc., a California nonprofit corporation, (Weed) was organized to act for and on behalf of the City. Weed Water Company, Weed, and the City seek an order of the Commission authorizing the sale of substantially all of the operating properties of Weed Water Company to Weed for the negotiated price of \$150,000. This price includes the transfer of the sewer facilities at Weed, California, owned by International Paper Company, the parent of Weed Water Company. As of December 31, 1965, the depreciated original value of Weed Water Company's utility plant was \$125,061.02.

The salient features of the purchase agreement are:

(a) Weed will acquire all of the operating water properties except:

(1) Water and sewer lines which are used exclusively for plant service of International Paper Company and are located on lands of International.

(2) Water rights and certain springs and lands on which the springs are located.

(3) Accounts receivable and cash.

(4) Insurance and other prepaid items.

(b) Weed Water Company agrees to sell to Weed, for a period of fifty years, that quantity of water produced by the existing water rights owned by it. The charge will be \$1.00 per year plus an amount equal to any charge which Weed or the City makes to

Weed Water Company for water supplied to it or to International Paper Company.

Weed was organized under the General Nonprofit Corporation Law of the State of California in January, 1965, primarily to render financial assistance to the City by financing the purchase and improvement of the municipal water and sewer systems for and on behalf of the City because the City lacked funds to complete the establishment of its municipal water and sewer systems. Under its Articles of Incorporation, no part of Weed's net earnings, funds, or assets can ever inure to the benefit of any person except the City, whether during the existence of Weed or upon its dissolution. Members of Weed must be approved by the City Council of the City.

In furtherance of the purpose of its organization, Weed proposed to help finance the purchase and improvement of the municipal water and sewer systems, which proposal was accepted by the City. Its substance is as follows:

(1) Weed will issue its bonds in the aggregate principal amount of \$300,000 pursuant to an indenture, dated as of August 1, 1966, or later. The interest rate or rates to appear on the bonds will be determined at a later time. The bonds will be sold for cash at par to one or more purchasers with the approval of the City. The proposed bonding procedure takes into consideration the facts that (a) general obligation bonds would have taxed the City's bonding capacity to the limit; and (b) that revenue bonds would probably have carried a higher rate of interest.

(2) Weed will purchase from the proceeds of the bonds the water supply storage and distribution system and sewer system presently owned by Weed Water Company, and the water supply storage and distribution system presently operated as Ball Water Company and owned by Mrs. Nellie Ball.

(3) Weed will execute and deliver a deed of gift deeding the water and sewer systems purchased from Weed Water Company and Mrs. Nellie Ball to the City, reserving, however, a 40-year estate.

(4) Weed will lease the water and sewer systems, and the improvements thereto and extensions thereof, to the City under a facility lease. The facility lease will provide a base rental sufficient to service the debt on the bonds of Weed as that debt service becomes due, and Weed will pay the debt service on the bonds and other indebtedness of Weed from the rentals under the facility lease and any miscellaneous revenues of Weed.

(5) All of Weed's membership certificates will be transferred to a trustee and held in trust for the City in accordance with a declaration of trust.

(6) After the payment of all of the indebtedness incurred by Weed to finance the acquisition and construction of the water and sewer systems and the improvements thereto and extensions thereof and at the termination of the facility lease, title to the water and sewer systems, and the improvements thereto and extensions thereof, shall vest in the City. All of the membership certificates of Weed will be delivered to the City free of the trust no later than 10 days after the payment of all of the indebtedness of Weed or the termination of Weed's reserved estate for years, whichever is earlier.

(7) All property of Weed will vest in and become the property of the City upon the expiration of the 40-year estate for years reserved by Weed or the retirement of the indebtedness of Weed, whichever occurs sooner. The City would thus become the owner of Weed's property upon expiration of the reserved estate for years even though Weed's indebtedness may not then be fully retired.

Because of the necessity of funding the bonds to be issued and constructing improvements to and extensions of the water and sewer systems, rates will be adjusted to the present City schedule. This adjustment is needed because the City proposes to meter all water services as promptly as possible. At present Weed Water Company does not meter most of its services, although its tariff schedule on file permits it to do so. The tariff rates of Weed Water Company are lower than the City's rates only in flat rate and up to 1,300 cubic feet. For the most part, the proposed meter rates to be charged by the City are lower than the existing meter rates of Weed Water Company. Without the proposed adjustments it would be impossible to acquire and improve the water and sewer systems. All customers (except one industrial user) who will be affected by the adjusted rates are located within the incorporated limits of the City.

Ball Water Company is now operating a water system at Weed, California, for the sale and distribution of water pursuant to a certificate of public convenience and necessity issued by this Commission. (Decision No. 18527 in Application No. 13662, dated June 20, 1927.) Ball Water Company's application to sell its operating properties to Weed is substantially the same as Weed Water Company's application. The negotiated price to be paid for Ball Water Company's properties is \$5,500. Its depreciated original cost as of December 31, 1965, was \$9,421.47.

At present Ball Water Company's tariff rates are lower than the City's rates up to 1,400 cubic feet; beyond that Ball Water Company's rates are higher. The adjustment of rates to conform to the City's schedule is necessary to acquire and improve the water system. All customers who will be affected by the

adjusted rates are located within the incorporated limits of the City.

Approximately twenty persons appeared at the hearing. They all were familiar with the proposed transfers. They expressed a need for the transfers, realized that water rates would go up to some degree, and asked for speedy approval of the applications. No opposition was voiced.

The Commission finds that:

1. The terms of the purchase agreements are reasonable.
2. Weed Water and Sewer Company, Inc., and the City of Weed have the ability to acquire and operate the sellers' water systems without interruption in service.
3. Upon the consummation of the proposed transfers Weed Water Company and Ball Water Company will no longer be engaged in performing public utility service.
4. Weed Water and Sewer Company, Inc., will not be performing public utility operations. Its activities are performed as agent of, and on behalf of, the City of Weed, a municipal corporation.
5. Subject to the conditions set forth in the order which follows, the proposed sales and transfers will not be adverse to the public interest.

We conclude that the applications should be granted as provided in the following order.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Weed Water Company may sell and transfer to Weed Water and Sewer Company, Inc., the properties referred to herein, substantially in accordance with the terms described in the agreement attached to its application.

2. Within one year after the effective date of this order, Ball Water Company may sell and transfer to Weed Water and Sewer Company, Inc., the properties referred to herein, substantially in accordance with the terms described in the agreement attached to its application.

3. The foregoing authority is conditioned upon the filing in this proceeding of a stipulation by the City of Weed that as to the rates, rules, and conditions of service which the City of Weed will apply in the service area of the systems herein authorized to be transferred, it will not discriminate between service rendered outside its city 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 city in subsidizing the operation of the city's water system.

4. Upon compliance with all of the conditions of this order, Weed Water Company and Ball Water Company shall stand relieved of their public utility obligations in the area served by their transferred systems, and may discontinue service concurrently with the commencement of service by the City of Weed.

5. Within ten days after the date of actual transfers, sellers 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.

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

Dated at San Francisco, California, this 6th
day of DECEMBER, 1966.

Robert E. Mitchell
President

Fredrick B. Goldieff

August

William W. Bennett
Commissioners

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