

ORIGINAL

Decision No. 71889

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA WATER COMPANY)
and CITY OF FOLSOM for an order)
authorizing the sale of certain)
properties of Southern California)
Water Company.)

Application No. 48786
(Filed September 13, 1966)

O'Melveny & Myers, by Donn B. Miller, for
Southern California Water Company;
McDonough, Hollard, Schwartz, Allen &
Wahrhaftig, by Martin McDonough, for
City of Folsom, applicants.
John D. Reader, for the Commission staff.

O P I N I O N

This request of Southern California Water Company (seller) and City of Folsom (buyer) for authority to transfer seller's water system serving the Folsom area in Sacramento County to the City of Folsom was heard before Examiner Coffey in San Francisco and submitted for decision on November 7, 1966.

The Folsom system of seller does not lie entirely within the limits of the City of Folsom. However, substantially all of the nearly 1,500 customers served through the property to be transferred are within the city limits of the City of Folsom. The largest single customer of the system, Aerojet General Corporation, is outside the City and is served under the terms of a special contract.

On August 22, 1966, seller and buyer entered into an agreement, a copy of which is attached to the application as Exhibit II, providing for the sale of the seller's Folsom water

system used in connection with the performance of public utility service by seller. The agreed cash purchase price is \$825,000, plus an amount equal to the cost to seller of all approved capital additions.

The properties of the Folsom District are recorded on seller's books, as of August 31, 1965, as follows:

Utility Plant	\$913,280
Reserve for Depreciation	(178,197)
Advances for Construction	(109,660)
Contributions in Aid of Construction	<u>(42,660)</u>
Net	\$582,763

Seller states that at or substantially concurrently with the sale of these properties it will repay all deposits, including accrued interest, made by its Folsom customers to establish credit.

Buyer, under the terms of the agreement, shall assume the obligations of seller for reimbursement of advances for construction under the terms of the contracts relating to such advances upon the transfer of the property associated with such advances.

Buyer, having determined to acquire the properties which are the subject of this request, petitioned this Commission in Application No. 46026 to determine the just compensation for essentially the same properties. Application No. 46026, now pending before the Commission, is being held in suspense pending the negotiations which led to the agreement herein being considered. Buyer and seller state that the agreement is preferable to the expensive and uncertain results of protracted litigation and that the compromises reflected in the agreement were arrived at in arm's length bargaining and represent an attempt to arrive at a workable and logical result rather than the parties' judgment concerning the outcome of such litigation.

In addition to the Folsom water system, seller also serves water in the area of Cordova which is adjacent to the Folsom system and traversed by the Valley Canal, one of the properties to be transferred to buyer. The agreement provides that buyer shall have eleven-sixteenths fractional interest in all water and water rights, in and to the flow of the South Fork of the American River, which are owned or claimed by seller on the closing date. At such time as seller can obtain the diversion of its water from the to-be-constructed Folsom South Canal, buyer will transfer to seller without cost that part of the Valley Canal below the point at which the Valley Canal is intersected by the Folsom South Canal. A witness for seller testified that there are adequate water supplies to serve present and future customers in the Cordova area and that no shortage of water was anticipated as a result of this transfer of properties in the foreseeable future.

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 Folsom water system without interruption in service.
3. The dedicated area of service of seller's Folsom water system extends outside of the boundaries of buyer.
4. Adequate supplies of water are available to serve seller's customers in the Cordova certificated area.
5. Upon the consummation of the proposed transfer seller will no longer be performing public utility service in the area of the properties to be sold.

6. 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, Southern California Water Company may sell and transfer to City of Folsom the properties referred to herein, substantially in accordance with the terms described in the agreement attached to the application herein and designated as Exhibit II, but subject to the conditions of this order.

2. Before the transfer of its water system assets, seller shall return to customers any refundable deposits made to establish credit and shall file a statement that all deposits have been refunded with the Commission within ten days after said transfer.

3. The foregoing authority is conditioned upon the filing in this proceeding of a stipulation 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 buyer'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 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.

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4. Upon compliance with all of 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.

5. 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.

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

Dated at San Francisco, California, this
24th day of JANUARY 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

WILLIAM SYMONS, JR.
Commissioner..... did
not participate in the disposition of
this proceeding.