

ORIGINAL

Decision No. 72296

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CAMINO WATER COMPANY for orders relieving Applicant of the obligation to provide certain public utility water service, cancelling certain tariff sheets and for other relief.

Application No. 49101
(Filed January 23, 1967)

O P I N I O N

In anticipation of condemnation, Camino Water Company (Camino) requests authority to transfer its public utility water system to the City of Camarillo (City) and seeks upon such transfer to be relieved of its obligations to render public utility water service and the cancellation of its filed tariffs. City joins in the application. The condemnation proceeding involved, City of Camarillo, Plaintiff, vs. Camino Water Company et al, Defendants, is pending before the Ventura County Superior Court as No. 49688 under complaint filed on June 8, 1966.

Camino and City, as a result of having executed on January 18, 1967 a Stipulation for Interlocutory Judgment in Condemnation (Stipulation), contemplate that on or before May 1, 1967 City will pay the just compensation required and acquire the water system pursuant to an interlocutory judgment and a final order of condemnation to be entered in the aforesaid proceeding. The terms and conditions agreed upon to implement the Stipulation and provide for an orderly transition to water service by City are set forth in the Agreement Implementing Stipulation for Interlocutory Judgment of Condemnation, Exhibit B attached to the application, also executed on January 18, 1967.

Said agreement provides in substance, among other matters, that:

1. On or before May 1, 1967 City shall pay to Camino \$1,200,000 for the water system as described in the Stipulation plus a sum equal to the actual cost of system extensions and additions made between June 8, 1966 and date of possession by City. Such sum for extensions and additions excludes the cost of facilities involved in the eight main extension agreements in the estimated amount of \$180,354.20 for which City agrees to assume the obligation to make refunds.
2. City shall raise the funds necessary to pay the just compensation by means of a waterworks acquisition agreement which is to be executed by Camino and City and, as an integral part of the transaction, Camino is to assign its rights thereunder to a buyer to be procured by City for a cash consideration equal to the just compensation.
3. Camino shall remain obligated to make refunds under main extension contracts not assumed by City and City agrees to furnish such information in City's possession as Camino may need periodically to fulfill such obligation.
4. Camino will refund individual customer deposits within thirty days after receiving full payment for water service from the customer involved.
5. City will serve all customers in Camino's service area, whether such customers are located within or outside of City's territorial boundaries, without unfair or unreasonable discrimination.
6. The condemnation proceeding may be dismissed in the event City does not make payment as required by this agreement or the Commission does not approve the instant application.

By letter dated February 24, 1967 Camino reported the following account balances as of December 31, 1966: Account 100 Utility Plant \$883,871.01; Account 250 Reserve for Depreciation of Utility Plant \$73,212.09; Account 241 Advances for Construction \$364,757.78; Account 265 Contributions in Aid of Construction \$48,173.77; Account 227 Customers' Deposits \$1,310.48. Said letter is received as Exhibit 1 herein.

By letter dated March 16, 1967 and attachments thereto, attorneys for applicant represent that Camino is willing to place into escrow with Bank of America the sum of \$191,317.07 to secure its refund obligations under 26 outstanding main extension contracts, the unrefunded balances of which appear to exceed \$390,000, which will not be assumed by the City. This letter and its attachments are received as Exhibit 2 herein.

The \$191,317.07 figure represents a summation of the present worths of said contracts determined with interest at 6 percent using a uniform series of annual payments for each contract equal to the latest annual refund in 21 out of the 26 contracts and an estimated annual refund in the remaining five contracts. The series run from 4 to 24 years depending upon the estimated payout period of the individual contract. Under the proposed escrow instructions, the sum deposited may be invested in certain securities which include the securities of mutual funds.

It appears that the foregoing method of determining the amount to be placed in escrow is appropriate only to the extent Camino intends and is able to purchase and terminate the main extension contracts involved in the immediate future. The matter of providing a sufficient sum to assure payment of annual refunds requires consideration of other factors such as the potential increase in annual refunds as the result of increased revenues because of greater customer density or rate increases, and the risk level and earnings after taxes of invested funds. Under the circumstances, which include Camino's concern over meeting the desired deadline for completion of the takeover of the water system by the City and which include a

requirement to be imposed by the order herein, a substantially more conservative arrangement which can be readily shown to be adequate for its intended purpose appears indicated. Such an arrangement would be subject to adjustment upon a showing that interest payable or other factors would justify a lesser amount to be retained thereunder.

The Commission finds that:

1. At all times prior to the transfer of its water system properties to be authorized in the order which follows, Camino will continue in possession of said properties and will continue rendering public water service therewith under the jurisdiction of this Commission.
2. City has the ability to acquire and operate Camino's water system without interruption in service.
3. The provision for refunding customer deposits within thirty days after full payment for water service is not unreasonable.
4. Camino has not shown that the escrow arrangement proposed in Exhibit 2 will adequately insure payment of its refund obligations related to the outstanding advances for construction tabulated therein; it would appear that a more conservative arrangement would better serve this purpose.
5. Subject to the conditions set forth in the order which follows, the proposed 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.

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, Camino Water Company may transfer its public utility water system to the City of Camarillo substantially in accordance with the terms of the agreement attached to the application herein and designated as Exhibit B. This authority to transfer is conditioned upon full compliance with the following ordering paragraphs 2a and 2b and said compliance shall be a condition precedent.

2a. Camino Water Company shall refund all advances for construction for which the refund obligation is not assumed by the City of Camarillo and shall file a statement with the Commission that all such advances have been refunded, or Camino shall file with this Commission a copy of a trust agreement made and entered into between Camino 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 sum of money equal in amount to the current unpaid balance of all unrefunded main extension contracts has been deposited or will be deposited in escrow as part of the just compensation prior to the date of acquisition of possession by City 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, maximum number of services for which each main extension was designed, number of services in use, unrefunded contract balance, and refunds paid or payable for the year 1966.

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2b. If Camino enters into a trust agreement as provided for in paragraph 2a., and if at a subsequent date it desires to reduce the amount deposited in escrow, Camino may file with this Commission a statement accompanied by any supporting studies used setting forth the amounts of money that it wishes to withdraw from escrow, and demonstrating that the balance remaining on deposit will be sufficient for the purposes intended. On the receipt of a statement and supporting studies acceptable to it, the Commission will issue an appropriate supplemental order.

3. Camino Water Company may discontinue service concurrently with the commencement of service by the City of Camarillo.

4. Camino Water Company shall refund all customers' deposits in Account 227 which customers are entitled to have refunded, with interest thereon computed in accordance with the tariffs thereto pertaining, and shall file in the record in this proceeding within ninety days after the date of transfer of the water system a verified statement as to the disposition of said account.

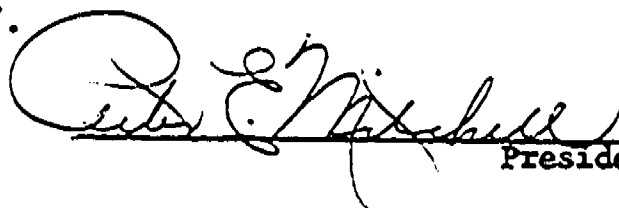
5. Within ten days after the date of actual transfer, Camino Water Company shall file with the Commission written notice of the date of transfer and a true copy of the instrument used to effect such transfer.

6. On compliance with all of the conditions and requirements of this order Camino Water Company shall stand relieved of all its public utility obligations except refunds of advances for

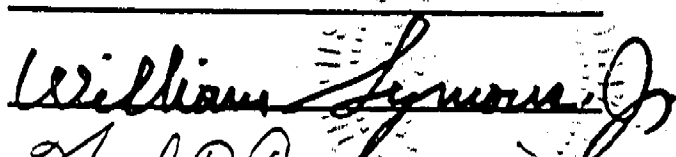
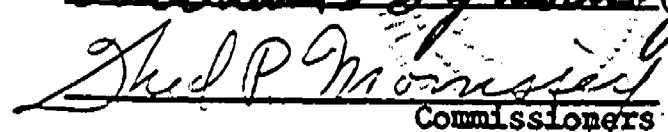
construction in the area served by the transferred system and its filed tariffs shall be cancelled.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 12th day of APRIL, 1967.



President

Commissioners

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

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.