

ORIGINAL

Decision No. 74617

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY and PLACER COUNTY
WATER AGENCY, for an order author-
izing (1) the former to sell and
convey to the latter certain water
facilities, and (2) the former to
sell to the latter water, in
accordance with the terms of two
contracts dated June 18, 1968.

Application No. 50372
(Filed July 5, 1968)

(Water)

O P I N I O N

Pacific Gas and Electric Company (Pacific) seeks authority to sell and transfer its public utility water facilities known as the Lower Drum Division Water System to Placer County Water Agency (Agency), a county water agency organized under the Water Code, thereby relieving Pacific of its public utility obligations as a water corporation with respect to these facilities. Pacific also requests authority to carry out the terms and conditions of a water supply contract, dated June 18, 1968, between it and Agency under which Pacific will supply water to Agency for distribution until May 1, 2013.

The joint application relates that these water facilities consist of about 118 miles of water conduits, several small reservoirs, and piped distribution systems in Auburn, Loomis, Newcastle, North Auburn, Penryn, Rocklin and Bowman. The water for this system is obtained from the Middle and South Forks of the Yuba River above Lake Spaulding, from the Bear River, and from tributaries of the North Fork of the American River. The water is

diverted through a series of hydroelectric canals and plants before it is available for distribution.

At the end of 1967 Pacific's water utility service from the above facilities served 4,211 town customers and 1,864 rural customers who receive irrigation water. Agency's boundaries include each of these 6,075 customers, and it is organized to distribute water within Placer County. Pacific's gross revenues from this service was \$580,000 in 1967.

In order to effect this transfer the parties have entered into a contract entitled Water System Sale Contract, dated June 18, 1968. It is expressly conditional upon Agency being able to complete its revenue bond financing and upon Pacific receiving authorization from the Commission to execute both the sale and supply contracts involved herein. The sale contract provides for the sale of the above-described facilities, including necessary permits and licenses, to be effective as of January 1, 1968, for the sum of \$1,198,000 plus the total cost of all additions, replacements and betterments to the facilities, including maintenance expenses, made by Pacific between January 1, 1968 and the actual date of transfer. Agency has agreed to pay for the water delivered by Pacific since January 1, 1968 at the rates set forth in the supply contract. Agency will be credited with all revenue received from the facilities during this period. Agency also assumes property taxes, possessory interest taxes and sales taxes for this period. Agency agrees to assume and perform Pacific's obligations under all main extension agreements. Pacific will retain water main extension advances totaling \$352,297.52 as of April 30, 1968, and will reimburse Agency for all refunds made by Agency under the refunding provision of these agreements.

Agency agrees to assume all of Pacific's public utility obligations to provide water service in the area concerned. Agency states that it will undertake to serve these areas at the same rates now being charged by Pacific.

With regard to accounts receivable and deposits, Pacific will retain all accounts receivable for service prior to January 1, 1968, and it will refund any customers' deposits guaranteeing payment of water bills which remain after such deposits have been applied to the closing bills. Accounts receivable applicable to the period after January 1, 1968 will be assigned to Agency on the date of transfer.

The historical cost of these facilities is \$7,319,979. The depreciation reserve applicable to the facilities is \$2,982,000. Pacific states that it wishes to sell these facilities because it is a water utility only incidentally and that in most areas it does not wish to remain in the water business. Pacific states that its hydroelectric operations will not be affected by the sale, and that these facilities are of no value or use to it in connection with its electric business. Pacific further states that its water business utilizing these facilities has not produced sufficient revenues to earn a reasonable rate of return. It is further stated that Agency desires to purchase said facilities in order to achieve better integration with its other water supplies, and that the integrated system will result in economic benefits to present and future customers in the area.

Finally, Pacific seeks authority to enter into and carry out the terms of a second contract dated June 18, 1968, entitled Water Supply Contract. It is conditioned in the same manner as the

Water System Sale Contract. It is expressly subject at all times to such changes and modifications deemed necessary by the Commission in the exercise of its jurisdiction. It is to be effective until May 1, 2013.

This contract requires that Pacific make available for delivery to Agency up to 100,000 acre-feet of untreated water each year until July 1, 1991 at rates prescribed in the agreement. During this period Agency is required to pay for a minimum of 50,000 acre-feet of water each year, or a minimum of 100,000 acre-feet if Agency obtains water from other sources than its Middle Fork American River Project. After July 1, 1991, Pacific is obligated to make available to Agency the greater quantity of (1) 50,000 acre-feet of water, (2) the arithmetic average of the quantities of water purchased by Agency in the years ending 1988, 1989 and 1990, or (3) the quantity of water Agency commits itself to purchase up to a limit of 100,000 acre-feet.

The rates to be paid for this water, except during the first four years, are as follows:

<u>Points of Delivery</u>	<u>Rate</u>
Above Halsey Powerhouse	First 17,000 acre-feet per year at \$3.14 per acre-foot; amounts in excess of 17,000 acre-feet per year at \$3.93 per acre-foot.
Below Halsey Powerhouse and Above Wise Powerhouse	First 19,000 acre-feet per year at \$1.95 per acre-foot; amounts in excess of 19,000 acre-feet per year at \$2.74 per acre-foot.
Below Wise Powerhouse	\$1.45 per acre-foot.

During the first four years the rates are as follows:

<u>Year Ending</u>	<u>Rate</u>
June 30, 1969	20% of above rates
June 30, 1970	40% of above rates
June 30, 1971	60% of above rates
June 30, 1972	80% of above rates

Agency further agrees to establish a Water Fund until July 15, 1984 with an initial deposit of \$300,000. This sum is to constitute a minimum balance until 1973. After 1973, if the balance declines to or below \$100,000, Agency is obligated to alter its rates so as to insure payment to Pacific. In order to facilitate Agency's revenue bond financing of the purchase price, Pacific agrees to accept two types of payments: Basic Water Payments and Secondary Water Payments, both of which are junior to Agency's revenue bond debt service costs. The Basic Water Payments will be paid for out of annual revenues while the Secondary Water Payments will be paid for from the Water Fund, which is to receive each year the revenues remaining after payment of debt service costs, operation and maintenance costs including the Basic Water Payments.

Pacific and Agency state that the purpose of the supply contract is to assure Agency an adequate, long-term supply of water at rates which are equal to Pacific's and which will permit financing the sale.

The application was published in the Commission's Daily Calendar on July 8, 1968 and no protests have been received.

After consideration the Commission finds that:

1. The transfer of Pacific's water facilities known as the Lower Drum Division Water System in accordance with the terms of the Water System Sale Contract executed on June 18, 1968 would not be adverse to the public interest.

2. The Water Supply Contract executed by Pacific and Agency on June 18, 1968 is not adverse to the public interest.

3. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Pacific Gas and Electric Company, a California corporation, may sell and transfer its public utility water facilities known as the Lower Drum Division Water System to the Placer County Water Agency, in accordance with the "Water System Sale Contract between Pacific Gas and Electric Company and Placer County Water Agency", executed on June 18, 1968, which is attached to the application as Exhibit A and by this reference made a part hereof.

2. On or before the actual date of transfer, Pacific Gas and Electric Company shall refund all customers' deposits which are subject to refund pursuant to Article 12 of the "Water System Sale Contract." If Pacific Gas and Electric Company has made or makes any refunds under the provisions of this ordering paragraph 2, it shall, within ten days after the transfer date, advise the Commission, in writing, that such refunds have been made.

3. Within ten days of the actual transfer of the public utility water system, Pacific Gas and Electric Company, shall notify the Commission in writing, of the date upon which the transfer was consummated.

4. Pacific Gas and Electric Company is hereby authorized to enter into and carry out the terms and conditions of the contract entitled "Water Supply Contract Between Pacific Gas and Electric Company and Placer County Water Agency", executed on June 18, 1968, which is attached to the application as Exhibit D and by this reference made a part hereof.

5. Upon completion of the sale and transfer herein authorized and all of the terms and conditions of this order, Pacific Gas and Electric Company shall stand relieved of its public utility obligations and liabilities in connection with the utility system herein authorized to be transferred.

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

Dated at San Francisco, California, this 27th day of AUGUST, 1968.

William Synovis, Jr.
President

[Signature]

[Signature]

[Signature]
Commissioners

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