

SW/lm

**ORIGINAL**

Decision No. 74855

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SUBURBAN WATER SYSTEMS, SOUTHWEST )  
WATER COMPANY, and the City of )  
Santa Fe Springs for an order )  
authorizing Suburban Water Systems )  
and Southwest Water Company to )  
transfer certain property )  
pursuant to judgment in eminent )  
domain and to discontinue water )  
service. )

Application No. 50495  
(Filed August 20, 1968)  
(Amended August 23, 1968)

O P I N I O N

Suburban Water Systems (Suburban) and Southwest Water Company (Southwest) request authority to transfer certain water utility facilities to the City of Santa Fe Springs (City) and to perform related acts. City joins in the application.

Suburban is a California corporation and a public utility and as such engages principally in the business of producing, distributing and selling water to approximately 48,700 general metered customers in two general areas referred to as the San Jose Hill area and the Whittier-Rivera area. Likewise, Southwest is a California corporation and a public utility and furnishes water service to approximately 18,440 customers in four service districts known as the La Mirada, Independence Square, La Sierra and Etiwanda Districts. City is a political subdivision of the State of California and as such is by law vested with authority to exercise the power of eminent domain

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for the purpose of acquiring the property of Suburban and Southwest for an integrated, municipally owned and operated water system both within and without the City of Santa Fe Springs.

There are now pending in the Superior Court, Los Angeles County, actions in eminent domain brought by City against Suburban and Southwest, bearing Case Nos. 901229 and 876718, respectively, wherein City seeks to condemn for public use certain water utility facilities of Suburban and Southwest.

As a general basis for final agreement concerning the pending condemnations and other matters, City and Suburban have entered into a Memorandum of Understanding, Exhibit "A" attached to the application, and City and Southwest likewise entered into a Memorandum of Understanding, Exhibit "B" attached to the application.

Pursuant to said Exhibit "A", Suburban proposes:

- (1) To enter into a stipulation for judgment in Superior Court Case No. 901229, Los Angeles Superior Court, with City for the condemnation of Suburban's water utility facilities within the city limits of City and within the city limits of the Cities of Pico Rivera, Downey and Norwalk, for and in consideration of \$2,675,000, and pursuant to said judgment to transfer to the City said water utility facilities;
- (2) To deposit said funds with Security Pacific National Bank (formerly Security First National Bank), pursuant to the provisions of the pertinent Trust Indenture as amended and as supplemented;
- (3) To assume the responsibility of retiring the remaining balances of outstanding refund contracts within the area of take;
- (4) To transfer to City all customer deposits that it holds from subscribers and customers who receive water service within the area of take, unless City requests the same to be returned to said subscribers and customers;

(5) To transfer to City 2,500 acre-feet of adjudicated water rights of Suburban to pump and extract water in the Central Basin Water District;

(6) To transfer to City 505 acre-feet of water rights which Suburban now holds in trust for City, and to this end to file any and all documents as may be required by the Central Basin Water District;

(7) To enter into a contract with City to provide City for a period of ten years, 1,500 acre-feet of water per year at a price of \$18 an acre-foot, with delivery of said water to be made at such points as may be agreed to between City and Suburban, and subject to a flow of 750 gallons per minute and at such pressure and at such points of taking as may be agreed to between City and Suburban, subject to interruptions as may further be provided in said agreement, with the further understanding that said price of \$18 an acre-foot to City is to be increased by reason of increase of taxes or assessments on Suburban, by reason of its operations of extracting the water from the ground, together with any increase in power costs for such extractions;

(8) To dismiss Action No. 910326 in the Los Angeles Superior Court against the City for violation of the Anti-Paralleling Law; and

(9) To continue to serve its present customers within the city limits of City (a) on the south side of Barton Road between DuPage and Greenleaf, (b) on the west side of Greenleaf between Barton Road and Reis Street, (c) on the south side of Los Nietos Road between Painter and Laurel Avenue, and (d) the Food Giant property, with the understanding that at such time as City notifies Suburban that it is in a position to serve any of the foregoing, Suburban will relinquish any further rights to serve said customers, and will transfer to City any and all rights to serve said customers.

Pursuant to said Exhibit "B", Southwest proposes:

(1) To enter into a stipulation for judgment in Los Angeles Superior Court Case Number 876718 providing for the transfer to City of Southwest's water facilities within the city limits of City and within the city limits of Norwalk, save and except the real property within the city limits of City described in paragraph 1 of Exhibit "B", for and in consideration of the sum of \$275,000; and pursuant to said judgment to transfer to the City said water utility facilities;

(2) To deposit said funds with United California Bank pursuant to the provisions of the pertinent Trust Indenture as amended and as supplemented;

(3) To assume the responsibility of retiring the remaining balances of outstanding refund contracts within the area of take;

(4) To transfer to City all customer deposits that it holds from subscribers and customers who receive water service within the area of take, unless City requests the same to be returned to said subscribers and customers; and

(5) To continue to serve its present customers within the city limits of City, on the west side of Marquardt Avenue south of Foster Road, with the understanding that at such time as City notifies Southwest that it is in a position to serve the foregoing, Southwest will relinquish any further rights to serve said customers, and will transfer to City any and all rights to serve said customers.

The Commission's staff has obtained certain supplemental data from the applicants and has prepared a related memorandum, dated October 11, 1968. Said memorandum is incorporated into this record as Exhibit No. 1.

The area of take from Suburban is delineated on the map attached to Exhibit No. 1. Suburban presently serves 4,661 customers in said area, of which 2,982 are within the city limits of City, 803 within Pico Rivera, 876 within Norwalk/Downey. The actual cost of Suburban's facilities sought to be condemned is alleged to be \$1,565,672 against which depreciation in the amount of \$423,707 has been accrued to June 30, 1968. The related advances for construction from subdividers and other customers are reported to be \$111,802, of which there remains owing the sum of \$99,526 as of July 31, 1968. The deposits Suburban holds from customers receiving water service in area of take are reported to amount to \$3,993 as of September 30, 1968.

The area of take from Southwest is also delineated on the map attached to Exhibit No. 1. Southwest presently serves 111 customers in said area. The actual cost of Southwest's facilities sought to be condemned is alleged to be \$251,028 against which depreciation in the amount of \$13,922 has been accrued to June 30, 1968. The related advances for construction from subdividers and other customers are reported to be \$48,897, of which there remains owing the sum of \$43,109 as of July 31, 1968. The deposits Southwest holds from customers receiving water service in area of take are reported to amount to \$135 as of September 30, 1968.

Upon acquiring the water utility facilities of both Suburban and Southwest, City intends to initially increase its rates to customers both within and without the city limits of City, equally and in an amount not to exceed that which was authorized Southwest by Decision No. 74422, dated July 23, 1968, in Application No. 49706, and not to exceed that which is requested by Suburban in Application No. 49914, filed January 2, 1968. City further represents that it will not unlawfully discriminate against the customers of Suburban who will be subject to the taking in the action in eminent domain who reside within the Cities of Pico Rivera, Downey and Norwalk, and will not unlawfully discriminate against the customers of Southwest who reside within the City of Norwalk.

City has agreed to furnish Suburban and Southwest with revenue data and other data needed to determine refunds as they fall due under the outstanding main extension contracts applicable to the areas of take.

We turn now to the resale service involved. The \$18 per acre-foot (subject to certain adjustments) which Suburban proposes to charge City for up to 1,500 acre-feet per year for ten years is a negotiated rate. It appears doubtful that this \$18 rate represents a fair share of Suburban's companywide costs or that City would be entitled to a rate oriented in the direction of incremental costs at the expense of Suburban's other customers. Also, it appears significant that Suburban might be able to cut back on its take of certain higher cost water supplies (in excess of \$30 per acre-foot), absent the proposed commitment to deliver 1,500 acre-feet per year to City.

In Application No. 49914, supra, Suburban bases its request for rate relief upon a study which does not reflect the transfer for which authority is sought herein.

We place Suburban and City on notice that the agreement contemplated covering this resale service is required to contain a provision indicating the understanding of the parties that:

"This contract shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction."

Copies of this application have been mailed to the city managers of the Cities of Downey, Norwalk and Pico-Rivera. No protests to the granting of the authorizations sought therein by ex parte order have been received.

The Commission finds that:

1. At all times prior to the transfer of their water system properties to be authorized in the order which follows, Suburban and Southwest 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 the water system facilities within the areas of take without interruption in service.

3. The \$18 per acre-foot which Suburban proposes to charge City for resale service is a negotiated rate and has not been shown to be fully compensatory. In the exercise of its jurisdiction, the Commission may take the necessary steps to establish a different rate for this resale service at such time as it appears that the negotiated rate would result in a burden on Suburban's other customers.

4. The proposed transfers and related acts will not be adverse to the public interest if consummated pursuant to the order which follows.

5. A public hearing is not necessary.

We conclude that the application should be granted as provided by the following order.

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, Suburban Water Systems may transfer its public utility water system facilities in the area of taking to the City of Santa Fe Springs, substantially in accordance with Memorandum of Understanding, Exhibit "A" attached to the application, and may perform the following related acts, also substantially in accordance with said Exhibit "A", except as otherwise provided herein:

(a) Enter into a stipulation for judgment in Los Angeles Superior Court Case No. 901229 with City providing for the transfer of Suburban's water utility facilities, under the power of eminent domain, within the city limits of City and within the city limits of the Cities of Pico Rivera, Downey and Norwalk, for and in consideration of the sum of \$2,675,000;

(b) Deposit said funds with Security Pacific National Bank (formerly Security First National Bank), pursuant to the provisions of the pertinent Trust Indenture as amended and as supplemented;

(c) Retain the responsibility of retiring the remaining balances of outstanding refund contracts within the area of take;

(d) Transfer to City all customer deposits that it holds from subscribers and customers who receive water service within the area of take, unless City requests the same to be returned to said subscribers and customers;



(e) Transfer to City 2,500 acre-feet of adjudicated water rights of Suburban to pump and extract water in the Central Basin Water District;

(f) Transfer to City 505 acre-feet of water rights which Suburban now holds in trust for City, and to this end file any and all documents as may be required by the Central Basin Water District;

(g) Enter into a contract, containing the Commission's jurisdiction clause set forth in the preceding opinion, with Suburban to provide City for a period of ten years 1,500 acre-feet of water per year at a price of \$18 an acre-foot, with delivery of said water to be made at such points as may be agreed to between City and Suburban, and subject to a flow of 750 gallons per minute and at such pressure and at such points of taking as may be agreed to between City and Suburban, subject to interruptions as may further be provided in said agreement, with the further understanding that said price of \$18 an acre-foot to City is to be increased by reason of increase of taxes or assessments on Suburban, by reason of its operations of extracting the water from the ground, together with any increase in power costs for such extractions;

(h) Dismiss Action No. 910326 in the Los Angeles Superior Court against the City for violation of the Anti-Paralleling Law;

(i) Continue to serve its present customers within the city limits of City (1) on the south side of Barton Road between DuPage and Greenleaf, (2) on the west side of Greenleaf

between Barton Road and Reis Street, (3) on the south side of Los Nietos Road between Painter and Laurel Avenue, and (4) the Food Giant property, with the understanding that at such time as City notifies Suburban that it is in a position to serve any of the foregoing, Suburban will relinquish any further rights to serve said customers, and will transfer to City any and all rights to serve said customers;

(j) Discontinue service in the area of take concurrently with the commencement of service by City, except as authorized immediately above.

2. Within thirty days after the date of actual transfer, Suburban Water Systems shall file with the Commission:

(a) Written notice of the date of transfer and a true copy of the instrument used to effect such transfer;

(b) Appropriately revised tariff sheets, which reflect the change in its service area herein authorized, and the resale service agreement covering delivery of up to 1,500 acre-feet of water per year to City. Such filings shall comply with General Order No. 96-A; and

(c) Written notice as to whether all customer deposits that Suburban holds from subscribers and customers, who receive water service within the area of take, have been transferred to City, or refunded to said subscribers and customers.

3. Within one year after the effective date of this order, Southwest Water Company may transfer its public utility water system facilities in the area of taking to the City of Santa Fe Springs, substantially in accordance with Memorandum of

Understanding, Exhibit "B" attached to the application, and may perform the following related acts, also substantially in accordance with said Exhibit "B":

(a) Enter into a stipulation for judgment in Los Angeles Superior Court Case No. 876718 providing for the transfer to City of Southwest Water Company's water facilities within the city limits of City and within the city limits of Norwalk, save and except the real property within the city limits of City described in paragraph 1 of Exhibit "B", for and in consideration of the sum of \$275,000;

(b) Deposit said funds with United California Bank, pursuant to the provisions of the pertinent Trust Indenture as amended and as supplemented;

(c) Retain the responsibility of retiring the remaining balances of outstanding refund contracts within the area of take;

(d) Transfer to City all customer deposits that it holds from subscribers and customers who receive water service within the area of take, unless City requests the same to be returned to said subscribers and customers;

(e) Continue to serve its present customers within the city limits of City, on the west side of Marquardt Avenue south of Foster Road, with the understanding that at such time as City notifies Southwest that it is in a position to serve the foregoing, Southwest will relinquish any further rights to serve said customers, and will transfer to City any and all rights to serve said customers; and

(f) Discontinue service in the area of take concurrently with the commencement of service by City, except as authorized immediately above.

4. Within thirty days after the date of actual transfer, Southwest Water Company shall file with the Commission:

(a) Written notice of the date of transfer and a true copy of the instrument used to effect such transfer;

(b) Appropriately revised tariff sheets reflecting the change in its service area authorized herein. Such filing shall comply with General Order No. 96-A; and

(c) Written notice as to whether all customer deposits that Southwest holds from subscribers and customers, who receive water service within the area of take, have been transferred to City, or refunded to said subscribers and customers.

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

Dated at San Francisco, California, this 22nd  
day of OCTOBER, 1968.

William J. Lyons Jr.  
President  
Stallman Bennett  
Negotiator  
Frederic P. Monasse  
Commissioners