

ORIGINAL

Decision No. 75569

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DEETER DEVELOPMENT, INC. WATER)
 COMPANY, a corporation, DEETER HOMES,)
 INC., a corporation, and CALIFORNIA)
 WATER SERVICE COMPANY, a corporation,)
 for an order authorizing (1) the sale)
 and transfer to California Water)
 Service Company of the water system)
 and certificate of public convenience)
 and necessity of the Deeter Development,)
 Inc. Water Company, (2) the discontin-)
 uance of service by Deeter Development,)
 Inc. Water Company in the territory now)
 served by it, (3) the termination of two)
 main extension contracts pursuant to)
 Deeter Development, Inc. Water Company's)
 Rule No. 15.C3, and (4) the commencement)
 of service in said territory by)
 California Water Service Company at the)
 rates then effective in the Visalia)
 District of said California Water Service)
 Company.)

Application No. 50867
(Filed February 7, 1969)

O P I N I O N

Deeter Development, Inc. Water Company (hereafter called Seller) seeks to sell and California Water Service Company (hereafter called Buyer) seeks to buy the hereinafter described public utility water system.

The application requests Commission authority for:

- (1) Seller to sell and transfer to Buyer property used and useful in its public utility water service in the Visalia area, and the related certificate of public convenience and necessity.
- (2) Release of Seller's obligation to serve, upon consummation of sale.
- (3) Buyer to integrate the purchased system into its Visalia District for accounting and operational purposes.

(4) Seller to terminate two main extension contracts between Seller and Deeter Homes, Inc. (hereafter called Homes) an affiliated corporation,^{1/} in accordance with Seller's Rule 15.C.3.

(5) Buyer to furnish water service within the area presently served by Seller under rates and rules applicable in Buyer's Visalia District.

Seller's water system provides public utility water service in three housing tracts, designated as Numbers 376, 385 and 466, located near Visalia in Tulare County. Buyer is a public utility engaged in supplying water for domestic and industrial purposes in many localities within this State, including Visalia. While Buyer's Visalia District is not contiguous to Seller's service area, the application alleges that the Deeter service area could efficiently be incorporated into the Visalia District for accounting and operational purposes.

The Tulare County area presently served by Seller covers approximately 64 acres. According to the application, Seller has installed approximately 95 customer service connections to date, of which approximately 14 are inactive. Seller presently serves customers on a flat rate basis. Water is secured from two wells. Distribution mains consist of approximately 7,190 feet of Class 150 asbestos-cement mains. Seven fire hydrants are attached to the system.

The balance sheet of Seller as of June 30, 1968, attached as Exhibit 2 to the application, is summarized as follows:

^{1/} Official notice is taken of the reference to that fact in Decision No. 64982 in Application No. 44617.

Current Assets		\$ 2,902.70
Fixed Assets		
Water System; Visalia ^{2/}	\$32,799.64	
Less Depreciation	<u>(3,814.72)</u>	28,984.92
Water System; Bishop	38,088.83	
Less Depreciation	<u>(2,926.31)</u>	<u>35,162.52</u>
Total Assets		\$67,050.14
Current Liabilities		
Accounts Payable		\$ 1,426.79
Long-term Liabilities		
Deposits for Utilities - Deeter Homes, Inc.		14,426.93
John Deeter		21,679.65
Capital		<u>29,516.77</u>
Total Liabilities		\$67,050.14

(Red Figure)

The balance sheet of Buyer shows that as of December 31, 1967 Buyer had depreciated utility plant of \$88,011,473.65, and liabilities for advances for construction of \$8,937,238.67, \$215,835.28 of which was uninvested.

Under the contract, incorporated by reference in the application, the purchase price is to be \$24,062.20 plus the assumption by Buyer of the extension agreement liability for Tract No. 466 in the amount of \$3,000. The other two extension agreement liabilities which run to Deeter Homes, Inc. are to be terminated by means of payment of \$10,504.21 of the purchase price by Seller to Homes.

Seller is to retain and refund to customers all refundable deposits made to guarantee payment of bills.

The real property to be transferred is specifically described in Exhibits C and D to the contract. Under the contract all water rights, fixtures, easements and property, including

^{2/} The value given is the undepreciated book cost; applicants allege, on belief, that this is also the original cost.

records, permits and certificates connected with Seller's Tulare County system (except accounts receivable, choses in action, cash, unbilled revenues and refundable deposits) are also to be transferred.

Upon consummation of the transfer, Buyer proposes to make its Visalia District tariffs applicable within the area presently served by Seller. It is alleged that the depreciated net investment per customer of Seller's water system is in excess of that of Buyer's Visalia District and that expenses per customer will be no less. As in the case of any change in the form of rates, some customers will receive an increase and some a decrease. According to applicants the average of monthly charges in Tract No. 376 will increase by \$0.30 per customer, and in Tract No. 466 by \$0.12 per customer. The customers in Tract No. 385 have large lots and would not qualify for flat rate service under the 25,000 square foot maximum provisions of Buyer's flat rate Schedule No. VS-2R. However, it is asserted that metered service under Buyer's Schedule No. VS-1 would result in a lower annual charge to substantially all of the customers in this tract.

Applicants have undertaken to mail on or before February 17, 1969 to each of Seller's customers a letter, the text of which is set forth as Exhibit 7 to the application, announcing the proposed substitution of Buyer for Seller as water supplier, and enclosing a copy of Buyer's rate schedules. The letter requested that any questions or requests for additional information be forwarded to Buyer's Visalia office. Buyer agreed to advise any customer taking exception to the application to communicate in writing with the Commission and to furnish any such customer with the application number for file reference. No such communication has been received to date.

The Commission finds that the proposed sale and transfer would not be adverse to the public interest. The Commission further finds that the application of the rates and rules presently applicable in Buyer's Visalia District for service within the tracts in question is justified; that such rates are just and reasonable, and that Seller's rates and charges insofar as they differ from Buyer's Visalia District rates are, for the future, unjust and unreasonable.

Since no protests have been received, the Commission concludes that no public hearing is necessary. The Commission further concludes that the application should be granted as provided in the order which follows. The action taken herein does not constitute a finding as to the value of the properties authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Deeter Development, Inc. Water Company (Seller) may transfer to California Water Service Company (Buyer) substantially in compliance with the contract, Exhibit 4 to the application herein, the water system in Tulare County described in the body of the opinion, together with the certificate of public convenience and necessity and all property necessary and useful in the operation of said system.
2. Upon completion of the sale and transfer authorized herein and upon compliance with all the terms and conditions of this order, Deeter Development, Inc. Water Company shall be relieved of its public utility obligations in connection with the utility water system in Tulare County herein authorized to be transferred.

3. After the effective date of this order, and not less than five days before the date of transfer, Buyer shall file revised tariff sheets, including tariff service area maps, to provide for the application of Buyer's present Visalia District tariff schedules to the service provided by the water system referred to herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be the date of transfer.

4. On or before the end of the third month after the date of actual transfer Buyer shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the Tulare County operations of the Seller for the period commencing with the first day of the current year to and including the effective date of transfer.

5. On or before the date of transfer Seller shall deliver to Buyer all records, memoranda and papers pertaining to the construction and operation of said water system.

6. Within ten days after the date of the transfer, Buyer shall file written notification to this Commission of the date of transfer and the date upon which it shall have assumed operation of said water system. A true copy of any and all instruments of transfer shall be attached thereto.

7. Buyer shall account for the properties acquired in accordance with Instruction 4 of Utility Plant Accounts of the Uniform System of Accounts for Water Utilities (Classes A, B and C) and within sixty days after the consummation of the transfer file with the Commission a copy of each journal entry used to record the transfer on its books of account.

8. On or before the date of transfer, Seller shall refund all customer deposits of Tulare County customers held by it. Any unrefundable deposits shall be transferred to Buyer and Buyer shall assume the obligation to refund.

9. Within ten days after the date of transfer, Seller shall terminate the main extension agreement liabilities for Tracts Nos. 376 and 385, pursuant to Seller's Rule 15.C.3. by the payment of \$10,504.21 to the persons or corporations then entitled to such payment. Buyer is authorized to assume the main extension agreement liability relating to Tract No. 466.

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

Dated at San Francisco, California, this 15th day of APRIL, 1969.

William Lyons, Jr.
President

Augusta

Fred P. Monnesser

(H. H. HARRIS)

[Signature]
Commissioners