

ORIGINAL

Decision No. 77684

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MERCED WATER COMPANY)
 for an Order of the Public Utilities)
 Commission of the State of California)
 for Authority to Sell Its Water Sys-)
 tem Assets, Together With All Fran-)
 chises, Permits and Operative Rights)
 Thereto to the City of Merced, a)
 California Municipal Corporation,)
 Which Joins In Said Application.)

Application No. 52007
 (Filed June 30, 1970)

O P I N I O N

Merced Water Company (Merced) is a public utility engaged in providing water service to the City of Merced (City) and unincorporated areas of Merced County adjacent to City. In this proceeding it requests an order of the Commission authorizing it to sell its properties and assets used or useful in rendering water service to its customers for the sum of \$3,300,000.

According to the application, Merced's reason for entering into the proposed transaction is that City having expressed its intention to acquire Merced's water system by negotiation or condemnation, it appeared reasonable to negotiate a fair price for the purchase.

Merced and City have entered into an agreement under which it is proposed that the properties covered thereby shall be sold and transferred by Merced to City. A copy of the Agreement is attached to the application as Exhibit 1.

The Water System Acquisition Agreement provides that Merced will retain its obligation for payment of future refunds on outstanding main extension agreements. Merced states that it will have sufficient assets to discharge those liabilities and any others remaining after the transfer of the water system.

The application is silent as to what is to be done regarding any deposits made by its customers to establish credit.

The Commission finds that:

1. The proposed sale is not adverse to the public interest.
2. From the proceeds of the sale of its water system, Merced should place in trust or escrow an amount equal to its refund obligations relating to outstanding advances for construction as of the close of escrow, so that monies will be available to meet such refund obligations.
3. Merced should repay all deposits including accrued interest, if any, made by its customers to establish credit at or substantially concurrent with the consummation of the transaction to which this application relates.

The Commission concludes that the proposed transfer should be authorized subject to the conditions set forth in the following order.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Merced Water Company (Merced) may sell and transfer to the City of Merced the property referred to in this proceeding in accordance with the agreement attached to the application as Exhibit 1.
2. On or before the date of actual transfer, Merced Water Company shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund.
3. Merced Water Company shall deposit in escrow with a suitable bank, trust company, or other agent approved by the Commission, the total amount of unrefunded advances.

4. Within ten days after the date of actual transfer, Merced shall submit written notification to this Commission of the refunding of deposits and establishment of escrow required herein, the date of transfer, and the date upon which purchaser shall have assumed operation of the water system authorized herein to be transferred. A true copy of the instrument or instruments of transfer shall be attached to the written notification.

5. Upon compliance with the above conditions of this order, Merced shall stand relieved of all its public utility obligations, except refund of advances for construction, in the area served by the transferred system and may discontinue services with the commencement of service by City.

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

Dated at San Francisco, California, this 1st day of SEPTEMBER, 1970.

[Signature]
Chairman
[Signature]
William Lyman J.
[Signature]
Norman L. Stinson
Commissioners