

Decision No. 80352

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHWEST WATER COMPANY, a California
Corporation, for an order confirming
the transfer of certain property to
the Cucamonga County Water District,
pursuant to judgment and final order
of condemnation, and the discon-
tinuance of water service.

Application No. 53409
(Filed June 19, 1972)

O P I N I O N

Southwest Water Company (Southwest), a corporation, requests an order of the Commission authorizing the utility to transfer a portion of the water facilities of its Etiwanda system to the Cucamonga County Water District, pursuant to a Judgment in Condemnation. The utility also requests approval of the journal entry by which it has reflected the sale of the facilities. Approval for the transfer is requested pursuant to Sections 851 and 853 of the Public Utilities Code.

Southwest furnishes general metered water service to approximately 18,400 customers in three separate districts. The La Mirada District provides service to some 12,000 customers located in the City of La Mirada and vicinity, in Los Angeles and Orange Counties. The La Sierra District contains nearly 6,000 services in the community of La Sierra within the City of Riverside and vicinity, in Riverside County. The Etiwanda District supplies water to about 400 customers in or near the community of Etiwanda, in San Bernardino County.

The Cucamonga County Water District, through an action in condemnation, Action CW-3393 in the Superior Court, State of California, San Bernardino County, has acquired certain facilities of Southwest's Etiwanda System as described in the Judgment in Condemnation in said action, a copy of which is attached to the

application as Exhibit A. The portion of said Judgment in Condemnation applicable to Southwest's facilities along the eastern boundary of the water district was affirmed by the Court of Appeal, Fourth District, Second Division, State of California, in its opinion in Case 4 Civil 10026 filed December 21, 1971, a copy of which is attached to the application as Exhibit B. The water district has taken possession of the described facilities, and is serving 21 customers formerly served by these facilities in Southwest's Etiwanda District.

In addition to the 21 customers mentioned above, Southwest serves approximately 16 customers, within the area claimed by the water district, by means of connections to facilities owned by Rochester Water Company, a mutual water company. Under the original Judgment in Condemnation, Rochester was awarded damages due or payable under the provisions of Public Utilities Code Sections 1501 - 1506 by reason of plaintiff's (the water district's) proposed construction. The water district was not awarded possession of the facilities of Rochester, however. The Court of Appeal has remanded this portion of the judgment to the Superior Court in order to determine the cost and rights of the water district to take full possession of the Rochester facilities. Southwest is of the opinion that the Court appears to have held that Southwest's facilities connected to the Rochester line are in the same category as Rochester's own facilities. Until such time as the final disposition of the Rochester facilities is determined by the Courts, Southwest considers itself obligated, under its certificate of public convenience and necessity issued by this Commission, to continue service to those customers presently served from the Rochester line or customers who may request such service. Southwest, however, believes that it is effectively relieved of its public utility responsibility in all other parts of the water district. A map showing the eastern boundary of water district as related to Southwest's certificated area is attached to the application as Exhibit C.

Southwest does not propose to refile its tariff service area map until such time as the status of the Rochester facilities and related Southwest customers is clarified by the Courts.

The original cost of the facilities of Southwest condemned by the water district is \$8,553.92. The original cost by plant accounts and the accrued depreciation pertaining thereto are as follows:

<u>Utility Plant Accounts</u>	<u>Cost</u>	<u>Accrued Depreciation as of Date of Transfer</u>
Constr. Work in Progress	\$ 341.52	\$ -
Transmission Mains	7,092.56	5,165.54
Services	791.88	689.01
Meters	263.58	211.10
Hydrants	64.44	44.37
Total Utility Plant	\$ 8,553.98	\$ 6,110.02

There were no Advances for Construction or Contributions in Aid of Construction on the books of Southwest relative to the condemned facilities.

All customer deposits have been refunded.

Southwest states that the award of \$40,000, having been adjudged by the Superior Court as the value of all plant condemned, attendant rights, and severance, has been received. This amount was deposited with the Trustee for Southwest's bonds under the terms and conditions contained in the original trust indenture, dated November 1, 1955, and as supplemented from time to time. The \$40,000 award has since been withdrawn and reinvested in utility plant as permitted under the trust indenture.

The journal entries for which Southwest requests approval, as shown in Exhibit D attached to the application, are as follows:

Sale of Facilities to Cucamonga County Water District
Journal Entry to Clear Account 392 - Utility Plant Sold

<u>Account</u>	<u>Account No.</u>	<u>Debit</u>	<u>Credit</u>
Reserve for Depr. of Util. Plt.	250-5-343	\$ 5,165.54	\$
	250-5-345	689.01	
	250-5-346	211.10	
	250-5-348	44.37	
Utility Plant Sold	392-5	40,000.00	
Constr. Work in Progress	100-3-5		341.52
Trans. & Distr. Mains	343-5		7,092.56
Services	345-5		791.88
Meters	346-5		263.58
Hydrants	348-5		64.44
Deferred Debits	146		592.77
Other Reserves (contingent Federal Tax)	258		11,323.00
Other Reserves (contingent State Tax)			1,242.00
Misc. Credits to Surplus	401		24,398.27

To record retirement of utility plant, retirement of accrued depreciation, deferred taxes, and profit resulting from condemnation of facilities by Cucamonga County Water District.

Upon the original receipt of cash and surrender of facilities, the following entry was made:

Special Deposits	121	\$40,000.00	
Utility Plant Sold	392-5		\$40,000.00

To record receipt of funds from Cucamonga County Water District upon condemnation of facilities.

The Commission has considered this matter and finds that, subject to the conditions set forth in the order which follows, the transfer of the utility property pursuant to the Judgment in Condemnation would not be adverse to the public interest. The Commission also finds that the journal entry by which Southwest has reflected the sale should be approved. A public hearing is not necessary.

The action taken herein shall not be construed to be a finding of value of the property authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. Southwest Water Company is authorized to transfer the public utility property considered in this proceeding to Cucamonga County Water District pursuant to the Judgment in Condemnation attached to the application as Exhibit A.

2. Southwest Water Company is authorized to reflect the transfer of the property considered herein by means of the journal entry as set forth in Exhibit D attached to the application.

3. If, for income tax purposes, Southwest Water Company has elected, or if in the future it should elect, to defer recognition of any gain resulting from the sale of this property, it shall establish and permanently maintain memorandum records in its books of account identifying the property acquisitions to which the capital gains are applied, and the depreciation that would otherwise be accrued thereon.

4. Except as to the facilities connected to the line of the Rochester Water Company, Southwest Water Company shall stand

relieved of its public utility obligations in the area of the Cucamonga County Water District.

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

Dated at San Francisco, California, this 8th day of AUGUST, 1972.

Vernon L. Sturgeon
President
William J. Squires
William J. Squires
William J. Squires
William J. Squires
Commissioners