

ORIGINAL

Decision No. 80472

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ORAL H. ATCHISON and HAZEL B. ATCHISON, husband and wife, doing business as CALIMAR WATER CO., and CALIFORNIA WATER SERVICE COMPANY, a corporation, for an order authorizing (1) the sale and transfer to California Water Service Company of the water distribution system and certificate of public convenience and necessity of Calimar Water Co., (2) the discontinuance of service by Calimar Water Co. in the territory now served by it, and (3) the commencement of service in said territory by California Water Service Company at the rates and in accordance with the rules applicable in the balance of California Water Service Company's Bakersfield district.

Application No. 53448  
(Filed July 10, 1972)

O P I N I O N

By this application, Oral H. Atchison and his wife, Hazel B. Atchison, doing business as Calimar Water Co. (Sellers) seek to sell, and California Water Service Company, a corporation, (Buyer) seeks to buy, Sellers' public utility water system serving unincorporated territory lying generally east of Madison Avenue, west of Hale Street, south of Planz Road, and north of Brook Street, in the southeastern portion of metropolitan Bakersfield, Kern County.

Buyer is engaged as a public utility in the business of the supply and distribution of water for domestic and industrial purposes in many localities in the State of California, including Bakersfield. As of December 31, 1971 it had total assets of \$123,946,292 and net income of \$4,047,571.

The area served by Seller covers approximately 130 acres. Seller serves approximately 200 customers on both a flat and metered rate basis. Water is secured from three wells owned by Seller which are to be conveyed to Buyer. The distribution mains

consist of approximately 14,400 feet of 2- $\frac{1}{2}$  to 5-inch welded steel and asbestos-cement mains. The system contains no hydrants. Sellers' service area is distant approximately 1,000 feet from Buyer's existing Bakersfield water system, but contiguous to its service area.

The undepreciated book cost as of December 31, 1971, of the water plant in service to be sold to Buyer, believed by Sellers to be also the original cost, is \$56,371. Reserve for depreciation as of the same date amounts to \$29,315 resulting in net plant of \$27,065. There are no advances or contributions shown on Sellers' books.

Sellers and Buyer have reached an agreement, subject to the approval of the Commission, for the sale by Sellers to Buyer at a price of \$25,500, subject to adjustment to reflect plant additions and depreciation from December 31, 1971 to the closing of all of the properties, franchises, operative rights, and assets comprising Sellers water system but excluding transportation equipment, accounts receivable, choses in action, cash on hand and in bank, unbilled revenues, and refundable deposits made by customers. Sellers are to retain and refund to Sellers' customers all refundable deposits made by customers to guarantee payment of bills. A copy of an agreement between Sellers and Buyer for the sale of the system, which by its terms does not become effective until the approval and authorization of this Commission have been obtained, is attached to the application as Exhibit 4. A detailed description of the property to be sold is set forth in the agreement and also in the form of Deed and Bill of Sale, Exhibit B to Exhibit 4, attached to the application which Sellers propose to execute and deliver to Buyer, provided the authorizations requested in the application are granted.

Upon the transfer, Buyer proposes to integrate the Calimax system into its Bakersfield district for accounting and operational purposes, to connect the system to Buyer's Bakersfield system and

to furnish service in the territory served by the Calimar system at the rates, and in accordance with the rules, of Buyer now in effect in Buyer's Bakersfield district or that may from time to time be lawfully established therein.

Buyer states its intention, upon completion of the transfer, to connect the Calimar system to Buyer's Bakersfield system in order to improve pressures and provide an adequate source of supply. Buyer further states its intention, upon such transfer, to proceed in an orderly manner to make such improvements, repairs, and modernization in the system as may be necessary from time to time to enable Buyer to furnish service comparable to that now being furnished by Buyer in its Bakersfield district.

Buyer states that it is willing to purchase the system because its accounting and operational functions may be integrated into Buyer's Bakersfield district, and because it is situated reasonably close to its Bakersfield district. However, Buyer is willing to purchase the System and assume the obligation of service in the area now served by Seller only on the terms set forth in the agreement, Exhibit 4 to the application, including the application of the rates and rules applicable in Buyer's Bakersfield district.

Application of Buyer's presently effective tariff Schedule No. BK-2R, Residential Flat Rate Service, would, for a service to a single family residence located on a parcel of land of 6,000 square feet or less in size, result in an increase in monthly charges from \$4.90 to \$6.77, or 36 percent, over Sellers' flat rates.

For service rendered on a metered basis, the charge under Buyer's presently effective Schedule No. BK-1, General Metered Service, for a monthly water usage of 2,500 cubic feet would be reduced from \$7.37 to \$5.95, a decrease of 24 percent.

Records of the Commission indicate that many complaints have been received in the past several years from customers of the Calimar system involving service, pressure, sand and sediment, as well as improper billing. The system is presently the subject of formal Commission investigation, Case No. 9315.

Buyer states in the application that it believes that the acquisition of the Calimar system by Buyer and the application of Buyer's Bakersfield rates and rules will be beneficial to Sellers' customers in that it will assure those customers a steady, adequate and reliable supply of water and accompanying service at identical rates to those charged to Buyer's other customers in its Bakersfield district. The Calimar system will be integrated into the Bakersfield system and will benefit by Buyer's present investment in the Bakersfield system and also by Buyer's Bakersfield operating force. Therefore we will authorize application of Buyer's rates and rules for water service to customers of Sellers' system.

The Commission finds that:

1. The proposed sale and transfer is not adverse to the public interest.
2. California Water Service Company has the financial resources to acquire and operate the Calimar Water Co. system.
3. It is reasonable for California Water Service Company to apply its rate schedules and rules to the Calimar Water Co. system. Any increases in rates or charges resulting from application of such rate schedules and rules are justified.
4. Pursuant to Rule 23.1 of the Commission's Rules of Procedure promulgated in conformance with regulations of the Federal Price Commission issued under authority of the Economic Stabilization Act of 1970:
  - (a) The increase in rates and charges to the level of those of California Water Service

Company's Bakersfield system is intended to offset costs resulting from operating the Calimar system as part of the Bakersfield system.

- (b) The increase in rates and charges is cost justified and does not reflect future inflationary expectations. The earnings which will be produced thereby will not exceed the previously authorized rate of return for the Bakersfield system.
- (c) The increases in rates and charges are the minimum required to assure continued, adequate and safe service.

5. A public hearing is not necessary.

On the basis of the foregoing findings the Commission concludes that the application should be granted as provided in the following order.

The authorization herein granted shall not be construed as a finding of the value of the rights and properties herein authorized to be transferred nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

#### O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before September 30, 1973, Oral H. Atchison and Hazel B. Atchison (Sellers), doing business as Calimar Water Co., may transfer and sell to

California Water Service Company (Buyer), a corporation, and the latter may acquire the public utility water system referred to herein together with the operating rights pertaining thereto, substantially in accordance with the terms of the Agreement of Sale attached to the application as Exhibit B of Exhibit 4.

2. On or before the date of actual transfer, Sellers shall refund all customers' deposits and advances for construction, if any, which are due and payable as of the date of transfer. All unrefunded deposits and advances shall be transferred to Buyer, who shall be responsible for their refund when due.

3. On or before the date of actual transfer of the properties herein authorized, Sellers shall transfer and deliver to Buyer and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

4. On or before the end of the third month after consummation of the transfer as herein authorized, Buyer shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of Sellers for the period commencing with the first day of the current year to and including the effective date of the transfer.

5. Within ten days after the actual date of transfer, Sellers and Buyer jointly shall file in this proceeding (a) a written statement showing the date of transfer and the date upon which Buyer assumed operation of the water system herein authorized to be transferred, and (b) a true copy of each instrument of transfer of said water system and operating rights.

6. After the effective date of this order, and not more than thirty days after the date of actual transfer, Buyer shall file a

tariff service area map which includes the Calimar Water Co. system within Buyer's Bakersfield District tariff area so as to provide for application of Buyer's presently effective rates and rules to the service area acquired by the transfer. Such filing shall comply with General Order No. 96-A. The effective date of such revised tariff service area map shall be four days after the date of filing.

7. Upon compliance with all the conditions of this order, Sellers shall stand relieved of their public utility obligations in the area served by the transferred system and may discontinue service concurrently with the commencement of service by Buyer.

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

Dated at San Francisco, California, this 31<sup>st</sup>  
day of AUGUST, 1972.

Yunus L. Stinson  
President  
William L. Stinson

[Signature]  
[Signature]  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.