

Decision No. 80536

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SAN JOSE WATER WORKS, a California  
corporation, and LITTLE CREEK WATER  
COMPANY, INC., a California corpora-  
tion, for an order authorizing (1)  
the sale and transfer to the San Jose  
Water Works of the water system and  
certificate of public convenience  
and necessity of the Little Creek  
Water Company, Inc., (2) the discon-  
tinuance of water service by the  
Little Creek Water Company, Inc.  
in the area now served by the Little  
Creek Water Company, Inc., and (3)  
the commencement of water service  
in said area by the San Jose Water  
Works at the rates then effective  
in the service area of said San Jose  
Water Works.

Application No. 53407  
(Filed June 16, 1972)

### O P I N I O N

This is an application by Little Creek Water Company, Inc. (Little Creek) and San Jose Water Works (Water Works), a corporation, by which the utilities request:

1. Authorization of the sale and transfer by Little Creek, to Water Works, in accordance with and at the price set forth in an agreement between the companies, Exhibit 4 attached to the application, of the certificate of public convenience and necessity, franchise and public utility properties which are described in the agreement and in a deed and bill of sale, Exhibit 5 attached to the application; and

2. Authorization of the discontinuance by Little Creek of public utility water service in the area in the City of San Jose and the County of Santa Clara served by the properties to be conveyed upon the consummation of the sale and transfer to Water Works of the Little Creek utility properties; and

3. Authorization of Water Works to operate the water system acquired by it from Little Creek as part of its San Jose service area for accounting and operational purposes; and

4. Authorization of Water Works to furnish water service to customers in the areas shown on maps designated as Exhibits A and B to Exhibit 4 attached to the application, at the rates presently in effect in its existing service area, and in accordance with the applicable rules of Water Works in effect in its San Jose service area and the provisions of Exhibit 4.

Little Creek furnishes water service to 44 customers in Tracts Nos. 3462 and 3463 in the City of San Jose. Water Works serves in most of the City of San Jose and in surrounding communities. As of December 31, 1971, Little Creek had net utility plant of \$31,550, operating revenues of \$6,915 and a net loss of \$1,479. Water Works had net utility plant of \$75,555,959, operating revenues of \$18,791,367 and net operating income of \$4,359,646.

The agreement of sale, Exhibit 4 attached to the application, provides that Water Works will pay \$15,000 in exchange for all of Little Creek's water plant facilities except for 100 feet of six-inch mains. The sale price does not include accounts receivable, cash on hand or in bank, unbilled revenues, and refundable deposits made by customers. The property, when transferred, is to be clear of all liens, encumbrances, and liabilities.

Little Creek's service area is contiguous to that of Water Works which is presently providing water to the Little Creek system. Water Works' rates are lower than those of Little Creek.

An investigation of the proposed transfer was made by a staff accountant. The staff's report is hereby received in evidence as Exhibit 1 in this proceeding. According to the staff report, Water Works proposes to record the difference between the historical cost, somewhat in excess of \$30,000, and the purchase price of \$15,000, as contributed capital. The staff agrees with this proposal

and recommends that the buyer be ordered to submit its journal entries recording the purchase price for approval as required by the Uniform System of Accounts for Water Utilities, Plant Accounting Instruction 4, Paragraph C.

The Commission makes the following findings and conclusions:

Findings

1. A public hearing is not necessary in this matter.
2. The proposed sale and transfer of Little Creek's assets to Water Works would not be adverse to the public interest.
3. Water Works has the financial and operating ability to consummate said transaction without impairing its ability to continue to serve the public as a water corporation.

Conclusions

1. The application should be granted as hereinafter provided.
2. 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. Within one year after the effective date of this order, Little Creek Water Company, Inc. may sell and transfer its assets to San Jose Water Works in accordance with the terms of the Agreement of Sale attached to the application as Exhibit 4.
2. Within ten days after the actual transfer, San Jose Water Works shall notify the Commission, in writing, of the date upon which the transaction was consummated.
3. On or before the actual date of transfer, Little Creek Water Company, Inc. shall refund all customers' deposits and advances held by it, and, within ten days thereafter, shall notify this Commission, in writing, that such refunds have been made.

4. On or before the end of the third month after the date of actual transfer San Jose Water Works shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the 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 end of the third month after the date of actual transfer, San Jose Water Works shall submit proposed journal entries recording the sales to the Commission for approval.

6. On or before the date of actual transfer of the properties herein authorized, Little Creek Water Company, Inc. shall transfer and deliver to San Jose Water Works, 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.

7. After the effective date of this order, and not more than thirty days after the date of actual transfer, San Jose Water Works shall file a tariff service area map which includes the Little Creek Water Company, Inc. system within San Jose Water Works' tariff service area so as to provide for San Jose Water Works' assumption of operations in and application of San Jose Water Works' 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.

8. Upon completion of the sale and transfer herein authorized and all the terms and conditions of this order, Little Creek Water Company, Inc. shall stand relieved of its public utility obligations with respect to the property herein authorized to be transferred.

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

Dated at San Francisco, California, this 26<sup>th</sup> day of SEPTEMBER, 1972.

Vernon L. Altman  
President  
William J. Simon  
[Signature]  
[Signature]  
[Signature]  
Commissioners