

Decision No. 81323

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)  
of SANTIAGO WATER COMPANY for }  
authorization to transfer its }  
water system assets to the CITY }  
of ORANGE and to be relieved of }  
its obligations as a public }  
utility }

Application No. 53795  
(Filed January 17, 1973)

O P I N I O N

Santiago Water Company (seller), a corporation, seeks authority to sell and transfer its fixed water system assets to the city of Orange (City), and to be relieved of its obligations as a public utility water company except for its obligation to refund advances for construction and consumers' deposits to establish credit. The City joins in the application.

On January 16, 1973, seller and City executed an agreement (Exhibit A attached to the application) whereby, subject to the authorization of this Commission, for a cash consideration of \$430,000 payable at time of closing, seller is to transfer its entire water system including, but not limited to, all transmission and distribution facilities and related appurtenances, all easements, rights-of-way, franchises, certificates, and similar rights and privileges owned by Santiago, and all records, documents, and maps or copies thereof relating to the ownership or operation of the properties and assets of Santiago to be transferred. Santiago will repurchase three filters for \$5,000 for use by its parent company.

For the past sixteen years seller has provided water service to the residents of the unincorporated community of El Modeno and portions of the city of Orange. All of these customers

are so located that they can be served by City which intends to connect seller's system to its existing water system.

In accordance with the agreement the closing of the sale shall be subject to the conditions that since September 30, 1972 and until the closing date, the business and affairs of seller shall have been conducted in the usual and ordinary manner in which seller has conducted its business and that since September 30, 1972 the properties of seller shall not have been substantially and adversely affected in any way.

All ad valorem taxes on the properties and assets transferred under the agreement shall be prorated between seller and City as of 12:01 a.m. on the closing date. Installments of special assessments, if any, due and payable prior to the closing date, shall be paid by Santiago and any such installments due and payable on or after the closing date shall be paid by Orange. Accounts receivable from Santiago's customers' bills for water served prior to the closing date shall remain the property of Santiago. The City agrees to use its standard procedures to attempt to collect for seller any amounts unpaid after the date of closing but seller agrees that the City shall not be liable to seller for any amounts not collected.

The agreement further states that seller will retain and discharge all obligations under main extension agreements, customer deposits or agreements with respect thereto, or advances in aid of construction or agreements with respect thereto. There is, however, no specific date set forth for the discharge of these obligations. The Commission staff prepared a memorandum dated February 27, 1973 on this application which is hereby received as Exhibit 1. In accordance with Exhibit 1 and the application, seller intends to refund customer credit establishment deposits and payable advances for construction with the proceeds of this sale.

By letter dated March 12, 1973 and signed by Gifford W. Miller, City Manager, the city of Orange has assured this Commission

that after the closing date under the sales agreement City will continue to serve water to all seller's customers under the same conditions and rates as City charges for all other comparably situated users, which conditions and rates may change from time to time.

Findings

1. The terms of the purchase agreement, Exhibit A on the application, adequately protect the customers of Santiago Water Company.

2. Santiago agrees to carry out, or to arrange for the carrying out, of all obligations with respect to main extension agreements, customer deposit agreements, and advances in aid of construction agreements. However, Santiago has not established any time limit for the satisfaction of such obligations, nor has it provided a trust fund to guarantee the fulfillment of such obligations.

3. The proposed transfer of the entire water system operated by Santiago in accordance with the terms of the purchase agreement is not adverse to public interest.

4. Santiago should be authorized to carry out the terms of the agreement of sale in the form of Exhibit A to the application.

5. Upon completion of the transfer to City, seller should be relieved of its public utility water corporation obligations except its obligations relative to unrefunded portions of advances for main extensions.

6. A public hearing is not necessary.

On the findings herein, the Commission concludes that the application should be granted subject to the conditions set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. Santiago Water Company may sell and transfer to the city of Orange the assets and property in accordance with the terms of the contract of sale attached to the application as Exhibit A as conditioned herein.
2. Within thirty days after the closing date of the transfer Santiago Water Company shall file with the Commission two conformed copies of the agreement of sale, Exhibit A, as executed, together with a statement of the date upon which such agreement and transfer became effective.
3. Within ten days of the closing date of the transfer, Santiago Water Company shall file with the Commission a complete list of all unrefunded main extension agreements and advances in aid of construction agreements as of that date, together with the amounts actually due thereon and the amounts to be refunded in the future by Santiago Water Company or its successors.
4. Santiago Water Company or its successors shall either terminate all main extension agreements and advances in aid of construction agreements prior to the closing date or execute an irrevocable depository agreement with a bank or trust company, or other agent approved by the Commission, with the deposit of a sufficient sum of money for payment of refunds for all payable main extension agreements and advances in aid of construction agreements. An executed copy of such depository agreement shall be filed with this Commission within ten days after the closing date.
5. On or before the date of actual transfer, Santiago Water Company shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund.

6. On the effective date of the actual transfer, and provided there has been compliance with all the conditions of this order, Santiago Water Company shall stand relieved of its public utility obligations in connection with the public utility water system herein authorized to be transferred.

7. The authority granted herein shall expire one year after the effective date hereof, unless earlier exercised.

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

Dated at San Francisco, California,  
this 1st day of MAY, 1973.

Vernon L. Sturgeon  
President  
William J. Symons, Jr.  
Michael J. ...  
Alvin ...  
...  
Commissioners