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ORIGINAL

Decision No 84142

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ONTARIO UTILITY SERVICES, a
corporation, for authority to
sell property.

} Application No. 55396
(Filed December 19, 1974;
amended December 24, 1974)

O P I N I O N

Ontario Utility Services, a corporation which operates as a public utility sewer service corporation, seeks authority to sell approximately 80 acres of land and lease back 6 acres which are necessary for the public utility operations.

Applicant's sewer service operations are conducted on a parcel of land in the Etiwanda area of San Bernardino County, consisting of approximately 80 acres. Only about 6 acres in the north-east corner of said parcel are needed for the public utility operations. Applicant has entered into a contract for the sale of the 80 acres to Ameron, Inc., a corporation, with provision for a leaseback of said 6 acres. The parties have agreed that the leaseback to applicant of the 6 acres to be used for public utility operations may be extended by successive 10-year options to a maximum of 99 years. This 99-year term of lease (including options) provides assurance that the public utility operations will continue.

The reason given for the transaction is that it is apparent that applicant's 80-acre parcel is much larger than needed for the public utility operations conducted there. To improve its financial position, applicant has negotiated the proposed sale of the surplus land.

In order to make certain that the new deed of trust on the subject property in the amount of approximately \$148,000 will be used primarily to secure the indebtedness which seller and affiliates, including certain other public utilities in California, owe to Mutual Life Insurance Company of New York, the beneficiary of the new indenture of trust should be the First National Bank of Reno, Nevada, in its capacity as trustee for the existing indebtedness.

After consideration the Commission finds that the proposed sale and leaseback would not be adverse to the public interest. The staff requests that applicant, because of possible quality of service problems, should not add new customers without Commission authorization. This request is reasonable. A public hearing is not necessary. The application should be granted. The sale and leaseback have no effect on the valuation for ratemaking purposes of the properties involved.

O R D E R

IT IS ORDERED that:

1. On or before June 2, 1975 Ontario Utility Services may sell and lease back the property referred to in the application.
2. First National Bank of Reno, Nevada, in its capacity as trustee for the existing indebtedness shall be the promisee of the purchase money note to be issued by the purchaser and shall also be beneficiary of the new deed of trust on the subject property which will secure payment of said note.
3. Without further order of the Commission, the proceeds of said note and deed of trust shall be used only:
 - a. For customary charges and expenses of the trustee, including repayment of advances for interest, taxes, etc.
 - b. For reduction of the present indebtedness, and

- c. For payment of rent by Ontario Utility Services to Ameron, Inc., as required by the lease herein above referred to.

4. Ontario Utility Services shall not add any new customers to its system unless specifically authorized by this Commission to do so.

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

Dated at San Francisco, California, this 4th day of MARCH, 1975.

Vernon L. Johnson
President
William J. Johnson
[Signature]
Leonard Ross
Commissioners