

RE/ep

Decision No. 85034

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CABAZON WATER COMPANY
for authority to sell substantially
all of its real property.

} Application No. 55739
(Filed June 12, 1975)

O P I N I O N

Cabazon Water Company (Cabazon), a California corporation, seeks an order authorizing it to sell the real property described in its application to the Tapmatic Corporation (Tapmatic) for \$60,000, payable \$965.40 per month, including interest at nine percent per annum, and secured by a first trust deed on the property to be sold. The report prepared by the staff states that the real property consists of three parcels which comprise 410 acres. The full value shown on the 1974-75 county assessor's role is \$14,800 or about 25 percent of the proposed sale price of \$60,000. The property is listed in Account 306 in the applicant's 1974 Public Utilities Commission annual report at \$32,088.60.

Cabazon has been delivering water as a public utility in the general area of Cabazon, Riverside County, California, since 1948. The application states that for many years the company has been operating at a net loss, and that in the last seven years there has been a substantial loss of customers to a county water district in the area. During the last ten years it has been able to continue operation only as a result of loans made to it by Andrew Johnson, to the date of his death on October 19, 1968, and by Carl Johnson, its president. The company states that as of May 15, 1975, it was indebted to Carl Johnson in the amount of \$57,140.59 principal and

interest for loans made to it by him and in the amount of \$19,200 for salary due. It also was indebted to the estate of Andrew Johnson, deceased, in the amount of \$12,319.36 principal and interest for loans made to it by him for a total indebtedness of \$88,659.95. Assertedly, Carl Johnson is no longer in a position to provide further loans.

Cabazon states that Tapmatic is engaged in manufacturing tapping attachments and fluids, and that its principal owner is the nephew of Carl Johnson and the son of Andrew Johnson, deceased. Carl Johnson and the trust of Andrew Johnson own the majority of the issued and outstanding stock. The company anticipates that the monthly payments of \$965.40 will be made for seven years which will enable it to continue its operations. Some of the funds derived by the sale would be used to repay Carl Johnson a portion of the indebtedness now owed him. The proposed sale was approved by the board of directors of Cabazon, and under date of April 28, 1975, it entered into a written agreement for the sale of the property to Tapmatic. On May 15, 1975, at a special meeting duly held with all shareholders present, the shareholders expressly approved and consented to the sale.

Cabazon states that Tapmatic has offered to purchase the land under the terms and conditions set forth in the application in order to make it possible for it to continue its operation as a public utility, and that it will reserve easements for the purpose of maintaining and servicing its water lines. Even though there are no water lines in Section 21, it will reserve an easement 50 feet in width from the center, a prolongation of the center line of its existing water line in the south half of the southeast one-quarter of Section 20, and will retain an easement 50 feet in width directly easterly from its water line in Section 29. A letter dated

August 8, 1975, from the attorney for Cabazon states that no water rights whatever will be conveyed by it to Tapmatic by the contract of sale or the deed, and all water rights which it now has, including those appurtenant to the land to be sold to Tapmatic, will be reserved by it.

Cabazon's statement of operating revenue and expense for 1974 shows income of \$8,286.60 and expense of \$18,014.52 for a net loss of \$9,727.92. It supplied 2,745,540 cubic feet of water to its customers in 1974. Cabazon states that funds are urgently needed to continue its operations and that the proposed sale will have no adverse effect upon those served by it as a public utility or any other person. There presently are issued and outstanding 1,667 shares of capital stock, all of the same class, and there are no preferred shares outstanding. There are no security agreements, mortgages, or deeds of trust upon Cabazon and it has no outstanding bonds and no notes payable except those to Carl Johnson and the estate of Andrew Johnson. No interest has been paid in the last fiscal year, and only a minimal amount has been paid at any time on the notes.

The staff report states that ownership of the land involved herein does not appear to be necessary for Cabazon to exercise its public utility responsibilities as long as it retains access and pipeline easements and water rights. It recommends that Cabazon be authorized to sell the real property involved, provided that the sale contract be amended to include retention of any water rights appurtenant to the land, and that the easements described in the application be retained.

Notice of the petition was published in the Commission's daily calendar on June 17, 1975. No protests have been received. A public hearing is not necessary.

Finding

The real property described in its application, which Cabazon seeks authorization to sell to Tapmatic under the terms and conditions and with the reservation of easements as set forth therein, and with the reservation of all water rights it now owns, including those appurtenant to the land to be conveyed, is not necessary or useful in the performance of its duties to the public, and the sale of the real property under such terms and conditions would not be adverse to the public interest.

Conclusion

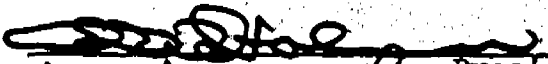
Cabazon should be authorized to sell the real property described in its application to Tapmatic under the terms, conditions, and reservations set forth therein, and by reserving all of its presently owned water rights including those which may be appurtenant to the land to be conveyed.

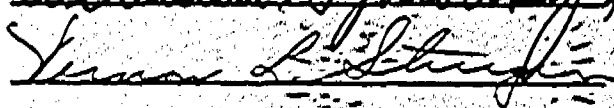
O R D E R

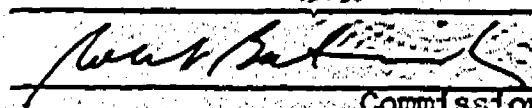
IT IS ORDERED that within one hundred twenty days after the effective date of this order, Cabazon Water Company may sell, convey, and transfer the real property described in its application to the Tapmatic Corporation under the terms and conditions and subject to the reservation of easements for pipelines, access, and other purposes set forth in its application, and on condition that it retain all of its water rights and that none of its water rights, including those appurtenant to the land, be conveyed to the purchaser. Within thirty days after the execution of the deed, Cabazon Water Company shall notify this Commission in writing of the date upon which the deed was executed and delivered to Tapmatic Corporation.

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

Dated at San Francisco, California, this 21st
day of OCTOBER, 1975.



President




Commissioners

Commissioner Leonard Ross, being necessarily absent, did not participate in the disposition of this proceeding.