

Decision No. 86297

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
COMMUNITY WATER SERVICE, a public)
utility, amended to Harold J. Eck,)
doing business as Community Water)
Service for authority to sell a)
portion of its system to the City)
of Paramount and for authority to)
cease operations in said area and)
to be relieved of its public utility)
obligation in said area.

Application No. 56262
(Filed February 4, 1976)

In the Matter of the Application of)
Harold J. Eck, doing business as)
Community Water Service for authority)
to sell the remaining portion of his)
water system, and for County Water)
Co., Inc. to buy said water system)
located in the City of Bellflower,)
County of Los Angeles.

Application No. 56278
(Filed February 11, 1976)

O P I N I O N

By these applications, Harold J. Eck, dba Community Water Service (Community), requests ex parte authority to:

- (1) Sell and transfer to the city of Paramount (Paramount) all of its water system operating in Paramount;
- (2) Be relieved of public utility obligations within Paramount;
- (3) Sell and transfer to County Water Company (County), a public utility, all of its water system operating in the city of Bellflower (Bellflower); and
- (4) Be relieved of public utility obligations within Bellflower.

Community provides public utility water service to about 174 customers in Paramount and 58 customers in Bellflower, all in Los Angeles County. There are no other customers. There are two separate water distribution systems. System No. 1 is entirely within Paramount and has a single source of purchased water. System No. 2 operates in both Paramount and Bellflower and has two sources, one in each city. There are no customer deposits or advances for construction.

A.56262 is not properly titled and should read Harold J. Eck, doing business as Community Water Service. Because the granting of these applications will relieve applicant, Community, of all public utility obligations, the applications are being consolidated.

Community represents that it accepted Paramount's offer to purchase that portion of the water system within Paramount for the sum of \$75,000, thereby precluding the threat of a forced sale in the future. The remainder, located in Bellflower, is too small to be operated economically as a separate unit and, therefore, should be transferred to County.

Paramount joined in A.56262 and has entered into a lease agreement with the Paramount County Water District (District), a county water district, to operate this system after acquisition. By resolution dated April 16, 1976, District represents that it will use Community's present rates and charges as its initial rates. District will serve all customers within the Community service area under the same rules, regulations, and level of service as its existing customers. The district began serving Community's customers in Paramount on March 1, 1976.

County presently provides public utility water service to about 2,565 customers in Los Angeles County. County intends to adopt the present rates, rules, and regulations of Community and will assume the service responsibility for Community's entire service area within Bellflower.

Community's analysis of 1975 recorded data which separates the revenue, purchased water expense, gross plant and reserve for depreciation for the Paramount and Bellflower operations shows that the net plant within Bellflower is \$27,193 (Gross Plant of \$39,655 less Reserve for Depreciation of \$12,462).

The purchase price for the Bellflower system is \$27,193. County has agreed to make a cash down payment of \$2,193 and issue a note secured by chattel mortgage or equivalent for the \$25,000 balance with the following terms:

- (a) Interest rate shall be $9\frac{1}{2}$ percent per year.
- (b) Interest only to be paid on the balance due for the first three years.
- (c) Thereafter \$261.07 per month shall be paid until balance is fully paid. This sum includes principal and interest at $9\frac{1}{2}$ percent.
- (d) Penalties shall be assessed for late payments.

The staff engineer's report reflects excellent service in Bellflower. On March 1, 1976 valves were installed which separate the Bellflower water from the Paramount water. These valves reduced the fire-flow capacity of the Bellflower system and limit the Bellflower system to a single source of supply. The valves may be opened during emergencies. Bellflower owns a 12-inch transmission main about 200 feet from the southernmost point of Community's Bellflower system. This main would provide adequate fire flow capacity for any anticipated growth. A developer will contribute a fire flow connection to tie this main to Bellflower system. The cost is estimated to be \$50,000.

Findings

1. The proposed transfers and encumbrance would not be adverse to the public interest.
2. The proposed security issue is for proper purposes and the money, property, or labor to be procured or paid for by the issue of the security authorized by this decision is reasonably required for the purposes specified, which purposes are not in whole or in part, reasonably chargeable to operating expenses or to income.
3. The authorization granted shall not be construed as a finding of value of the rights and properties authorized to be transferred.

4. Upon consummation of both transfers, the seller should be relieved of its obligation to provide public utility water service.

5. A public hearing is not necessary.

Conclusion

The Commission concludes that these applications be granted in accordance with the ensuing order.

O R D E R

IT IS ORDERED that:

1. On or before June 30, 1977 Harold J. Eck, doing business as Community Water Service may sell and transfer the water system in the city of Paramount to the city of Paramount and may sell and transfer the water system within the city of Bellflower to County Water Company.

2. On or before the date of actual transfer to the city of Paramount, seller shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund. Seller shall retain all liability for refunds of main extension advances, if any, within the city of Paramount.

3. As a condition of this grant of authority, County Water Company shall assume the public utility obligations of seller within the area served by the water system in the city of Bellflower being transferred and shall assume liability for refunds of all existing customer deposits and advances pertaining to the water system being transferred. Purchaser shall send notice of the assumption of liability for refunds to all customers affected.

4. Within ten days after completion of the transfer, County Water Company shall notify the Commission in writing of the date of completion and of the assumption of the obligations set forth in paragraph 3 of this order.

5. Within ten days after the completion of the transfer seller shall notify the Commission in writing of the date of transfer, of the refunding of the deposits, and the date upon which city of Paramount shall have assumed operation of the water system. A true copy of the instruments of transfer shall be attached to the notification.

6. County Water Company shall either file statement adopting the tariffs of seller now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order No. 96-A. No increase in rates shall be made unless authorized by this Commission.

7. On or before the date of actual transfer seller shall deliver to County Water Company, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

8. On or before the end of the third month after the date of actual transfer County Water Company shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of seller for the period commencing with the first day of the current year to and including the effective date of the transfer.

9. On or after the effective date of this order and on or before June 30, 1977, for the purposes specified in this proceeding, County Water Company may issue an evidence of indebtedness in the principal amount of not exceeding \$25,000 and may execute and deliver an encumbering document, which document shall be in substantially the same form as those contemplated by paragraph 2 of Exhibit 1 attached to A.56278.

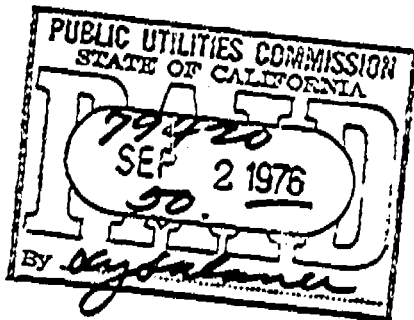
10. The issuer of the securities authorized by this order shall file with the Commission a report, or reports, as required by General Order No. 24-Series.


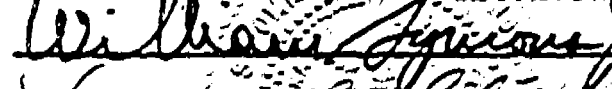
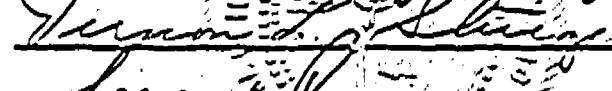
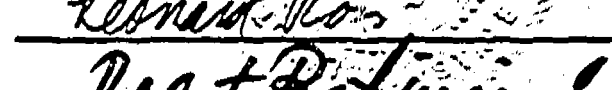
11. Upon compliance with all of the terms and conditions of this order, seller shall be relieved of his public utility obligations in connection with both water systems transferred.

12. The authority granted by this order to County Water Company to issue an evidence of indebtedness and to execute and deliver an encumbering document will become effective when the issuer has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50.

In other respects, the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 24th
day of AUGUST, 1976.




President



Commissioners