

Decision No. 86414

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TRANSAMERICA DEVELOPMENT COMPANY, a California corporation, and DIAMOND BAR WATER COMPANY, a California corporation, to merge, and of TRANS-AMERICA DEVELOPMENT COMPANY to sell, and of WALNUT VALLEY WATER DISTRICT, a California water district, to buy, a water system in the Diamond Bar area of Los Angeles County.

Application No. 56697
(Filed August 18, 1976)

O P I N I O N

Transamerica Development Company, a California corporation (Tadco), Diamond Bar Water Company, a California corporation (Diamond Bar) and wholly owned subsidiary of Tadco, and Walnut Valley Water District, a California water district (the District), pursuant to Section 851 of the California Public Utilities Code, by joint application, request an ex parte order from this Commission:

- a. Authorizing Diamond Bar to merge with and into Tadco, pursuant to Section 4124 of the California Corporations Code;
- b. Authorizing Tadco to sell, convey, transfer, assign and deliver the water distribution facilities of Diamond Bar to the District;
- c. Authorizing the District to assume Diamond Bar's main extension agreements, customer deposits, and certain other liabilities incurred in connection with utility plant construction;
- d. Authorizing Diamond Bar and Tadco to discontinue all public utility operations; and
- e. Relieving Diamond Bar and Tadco from any further obligation for the operation of said water distribution system.

Diamond Bar was granted a Certificate of Public Convenience and Necessity by Decision No. 56524 dated April 15, 1958, in Application No. 39540, and commenced operations in April, 1960.

The source of water supply is the Walnut Valley Water District. The water system consists of 5,347 metered connections, 556 public fire hydrants, and 26 private fire connections, approximately 440,000 linear feet of pipe, of all types and sizes, and four steel storage tanks of 9,500,000 gallons total capacity, plus other utility plant more fully itemized in Exhibit A to the Agreement.

The original cost of the property being transferred is \$5,720,942.50, with reserves for amortization and depreciation of \$869,378.96 as of December 31, 1975, resulting in a net book cost of \$4,851,563.54. The selling price is \$4,600,000, subject to final adjustment, in cash, within 30 days after the closing, to the extent of certain items specified in Section 2 of the Agreement, which includes a deduction equal to the amount of Diamond Bar's customer deposits outstanding as of the closing date.

As part of the consideration, District agrees to take the property and assets transferred to it subject to all of Diamond Bar's main extension agreements outstanding as of the closing, to assume all obligations under such main extension agreements, and to pay and fully discharge all obligations under such main extension agreements, except that on those listed as Nos. 7, 25, 31, 54, and 63 through 69 on Exhibit B, no further payment will be required after the twentieth anniversary of such agreements. Those outstanding as of July 23, 1976 are listed on Exhibit B to the agreement.

Funds for the purchase and future capital investments will come in part from sale of general obligation bonds approved in June, 1976 by a favorable vote of 78% of the voters in the improvements district who voted. This represents 61% of the total registered voters within the improvement district.

Upon successful sale of the bonds, the sale and transfer of the water system will occur at a date to be set as provided in the Agreement, but expected to be no later than November 30, 1976. The District will appear before the District Securities Advisory Commission, State Treasurer's Office, on September 17, 1976, regarding approval of the bond sale. The District requests prompt ex parte action on this application to the end that it would have the approval of the Commission by that date.

This Commission authorized Diamond Bar an approximate 31% increase in its rates by Decision No. 85942 dated June 15, 1976, in Application No. 55752. Diamond Bar has voluntarily deferred implementing this rate increase pending the proposed sale. District states it will require no increase over present rates and contemplates no change in the present rate structure.

The District states it will not impose, or collect, either directly or indirectly, any acreage or similar charge for the commencement of new water service with respect to any land which is the subject of a main extension agreement and with respect to a limited amount of land to be selected by Tadco.

The District agrees to provide water service within Diamond Bar in accordance with its rules and regulations, except as otherwise provided in the Agreement. A small portion of the land within Diamond Bar's certificated service area is not within the boundaries of the District. The District agrees to permit annexation of such land on customary and usual terms and to provide water service on reasonable terms. The ensuing order will ensure equitable treatment for the customers in this area.

The parties to this application believe that the public interest, economy, and general welfare of the area served by Diamond Bar will be served by selling the water system to the District. The District provides Diamond Bar with water and largely surrounds Diamond Bar's certificated service area. The district believes that customers

of Diamond Bar will benefit by the doubling of the District's customer base and from the elimination of taxes and profit.

The Diamond Bar system will continue to require large capital investments, and the District has allocated approximately \$965,000 for this purpose.

The Commission finds that:

1. There is no objection to the requested merger of the Diamond Bar Water Company into the corporate structure of Tadco.
 2. Buyer has the ability to acquire and operate seller's water system without interruption in service.
 3. Upon the consummation of the proposed transfer, seller will no longer be performing public utility service.
 4. Subject to the conditions set forth in the order which follows, the proposed merger, sale, and transfer will not be adverse to the public interest.
 5. The customers voted on the sale, 78% of those voting favored the sale, which is 61% of the voters registered within the District.
 6. The need for system improvement is recognized, and the District has allocated approximately \$950,000 for this purpose.
 7. The Agreement, Exhibit A, will be signed by both parties upon successful sale of the authorized bonds.
 8. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.
 9. A public hearing is not necessary.
 10. The authorization granted shall not be construed as a finding of the value of the rights and properties authorized to be transferred.
- On the basis of the foregoing findings, the Commission concludes that the application should be granted as provided by the following order:

O R D E R

IT IS ORDERED that:

1. Diamond Bar Water Company, a California corporation, wholly owned by the Transamerica Development Company (Tadco), a California corporation, may merge into the Tadco corporate structure pursuant to Section 4124 of the California Corporation Code.

2. On or before December 31, 1976, Transamerica Development Company may sell and transfer the water system and other assets (previously identified as the Diamond Bar Water Company water system and assets) referred to in the application to Walnut Valley Water District, according to the terms and conditions of the Agreement attached to the application.

3. As a condition of this grant of authority, purchaser shall assume the public utility obligations of seller within the area served by the water system being transferred and shall assume liability for refunds of all existing customer deposits which are subject to refund, and main extension advances, in accordance with terms and conditions of the Agreement attached to the application.

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

5. Upon compliance with all the terms and conditions of this order, seller shall be relieved of its public utility obligations in connection with the water system transferred.

6. As a condition of this grant of authority, purchaser shall not apply different rates, rules, and conditions of service for customers receiving water service outside of the District's boundaries than it applies to customers receiving water service within the boundaries, except to the extent necessary to offset any tax burden

or other assessment sustained by the customers within the boundaries which results in a benefit to the customers outside the boundaries.

Due to the desire of purchaser to have this order available on September 17, 1976, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 21st day of SEPTEMBER, 1976.

President
William Sproull

Vermon L. Sturgeon

Robert B. Bati
Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.