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Decision 84 11 095 NOV 21 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
COUNTY WATER COMPANY, INC., a Public)
Utility, and the CITY OF PARAMOUNT,)
for authority to sell its system to)
the City of Paramount and for)
authority to cease operation in said)
area and to be relieved of its public)
utility obligation in said area.)

Application 84-08-112
(Filed August 30, 1984)

INTERIM OPINION

County Water Company, Inc. (Utility), and City of Paramount (City), Los Angeles County, seek authority for Utility to transfer that portion of its water system located within City to City. The water system facilities proposed to be transferred consists of 1,200 feet of 8-inch Class 150 asbestos cement main, 1,158 feet of 4-inch asbestos cement main, 110 feet of 6-inch asbestos cement main, 39 services including meters; and 2 fire hydrants.

The price proposed to be paid by City for the facilities is \$35,000. The facilities originally were part of the property of a mutual water company which was acquired by Utility in 1971. The price paid by Utility for the mutual's facilities was \$20,001. Approximately one third of these facilities are now being transferred to City.

When the Utility acquired the facilities it found the service pipes to be badly corroded. These required replacement and it was necessary to purchase and install meters. The original cost of the services and meters now being transferred to City amounted to approximately \$5,000.

Subsequent to the acquisition of the mutual's facilities the Utility installed a main in the area costing \$13,000. This main was financed by means of an advance for construction and no refunds have been paid on the advance. The advance contract will be liquidated from the proceeds of the sale.

Accrued depreciation on the facilities amounts to \$3,033, and the resulting net book cost is \$21,634.

The application states that the purchase of County's water system by City is part of City's continuing program and plan to acquire and consolidate all water systems operating within City's limits. By selling the system at this time, Utility is precluding the threat of a forced sale in the future.

The applicants warrant that all customer deposits will be returned to applicable customers prior to closing and that there are no outstanding advances for construction with respect to the facilities being sold that will not be liquidated upon sale.

The applicants have notified the 39 customers involved and no protests have been received by the Commission. City's rates are somewhat lower than the Utility's. Consumption of 2,000 cu. ft. over a two-month period would under City's rate schedule cost \$13.00. At Utility's rates that quantity would cost \$16.54.

Utility would realize a capital gain of \$13,366 from the proposed transaction. The Commission has before it, in a similar proceeding involving sale of electrical plant by Pacific Gas and Electric Company to the City of Redding, Application (A.) 83-04-037, the question as to who, the investor or the ratepayer, should receive any gains from disposition of utility property which is, or has been, in rate base. (Interim Decision (D.) 84-08-126). Rather than delay approval and sale and transfer of the water utility facilities that are the subject of this A.84-08-112, the Commission

will authorize the consummation of the transfer but reserve disposition of the accounting for the \$13,336 gain over net book cost pending resolution of the capital gains issue in A.84-08-123. In the meantime the capital gain should be held in a suspense account.

The Commission has considered the application and concludes that the authority sought is reasonable and should be granted subject to reservation of the capital gains issue. Since there was no opposition to the sale and transfer aspect of the transaction, there is no need for a public nor an evidentiary hearing.

Findings of Fact

1. County Water Company, Inc. proposes to sell its water utility properties located within the City of Paramount to the City for a purchase price of \$35,000.

2. The facilities proposed to be transferred have a net book cost of \$21,634.

3. By selling the system voluntarily, the Utility is precluding the threat of a forced sale.

4. The facilities being transferred serve 39 customers.

5. City's rates are lower than Utility's.

6. There have been no protests to the transfer.

7. The proposed transfer is in the public interest.

8. The Utility would realize a capital gain of \$13,366 from the proposed transfer.

9. The capital gain realized by Utility should be held in a suspense account pending resolution by the Commission in A.84-04-037 of the issue of who is entitled to the gains or responsible for the losses accruing from sales of utility property.

Conclusions of Law

1. Neither a public nor an evidentiary hearing is necessary.

2. The application should be granted according to the terms set forth in the following order.

INTERIM ORDER

IT IS ORDERED that:

1. On or before April 30, 1985, County Water Company, Inc. may transfer the water system and other assets referred to in the application to the City of Paramount, according to the terms in the application.

2. On or before the date of transfer, seller shall refund any customer credit deposits which are subject to refund.

3. Seller shall refund all main extension advances.

4. Within 10 days after transfer, seller shall write the Commission stating dates of transfer and deposit refunds, and date when buyer began operating the water system. A copy of the transfer documents shall be attached.

5. The issue of accounting for the gain accruing from the sale and transfer is reserved pending resolution of the capital gains issue in A.83-04-037. County Water Company is ordered to deposit \$13,366 in an escrow account until further order of the Commission pending resolution of the gain on sale issue.

6. Upon compliance with this order, seller shall be relieved or its public utility obligation to the transferred system.

7. The application is granted as set forth above.

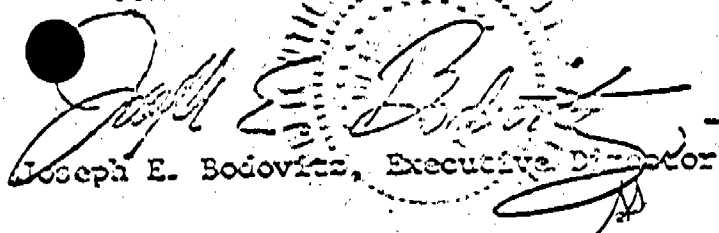
This order becomes effective 30 days from today.

Dated November 21, 1984, at San Francisco, California.

PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS.

Commissioner Victor Calvo, being
necessarily absent, did not
participate.


Joseph E. Bodovitz, Executive Director

O R D E R

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6. Upon compliance with this order, seller shall be relieved of its public utility obligation to the transferred system.

This order becomes effective 30 days from today.

Dated NOV 21 1984, at San Francisco, California.

PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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