

Decision 84-12-052 December 19, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND )  
 ELECTRIC COMPANY and CITY OF )  
 ANGELS for an order authoriz- )  
 ing the former to sell and )  
 convey to the latter certain )  
 water facilities, known as )  
 the Angels Water System, in )  
 accordance with the terms of )  
 a Purchase Agreement dated )  
 January 3, 1984. )

Application 84-03-11  
 (Filed March 2, 1984)

INTERIM OPINION

This is an application in which Pacific Gas and Electric Company (PG&E) seeks authority to sell and transfer its Angels Water System (System) to the City of Angels (City).

The matter was held in abeyance until appropriate notice of the application was given to System's customers. Such notice was mailed to each customer on September 21, 1984.

The period designated for filing protests ended on October 22, 1984.

One customer protested the requested transfer.

The Commission makes the following findings and conclusions.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. System is a public utility water system as defined in Sections 240 and 2701 of the Public Utilities (PU) Code. PG&E owns System and is a water corporation as defined in PU Code § 241.

3. City is a general law city specifically authorized to acquire, construct, repair, and manage a water system pursuant to the terms of Government Code Section 38730. It was incorporated in 1912. City currently provides a full range of governmental services for a population of approximately 2,300 residents.

City's budget for 1983-1984 is approximately \$1,460,000, and to date City is operating within budget. The 1983-1984 tax roll shows the value of secured property within City to be \$36,981,988. The unsecured tax roll totals \$3,621,380, for a total tax base of \$40,603,368.

4. System consists of a sedimentation reservoir, treatment plant, treated water storage for 1.3 million gallons, and a treated water transmission line to the water distribution system, which is located in System's service area. The water supply for System comes from the North Fork of the Stanislaus River via the Angels and Utica Ditches. As of the end of 1982, PG&E supplied water service from System to a total of 970 customers. During 1983, PG&E received approximately \$228,747 in gross revenue from said customers.

5. The net book value of System as of December 31, 1982, was \$644,050.23. The historical cost before depreciation of the facilities to be conveyed was \$1,287,211.25.

6. System has been owned by PG&E since 1946, when the company acquired title to all assets of Utica Power Company (formerly Utica Mining Co.). The franchise for System is the so-called "constitutional franchise", i.e. a franchise right derived from Article XI, section 19 of the California Constitution as it existed prior to its amendment on October 10, 1911. In addition to the "constitutional franchise", System operation is covered by Department of Health Services, Water Supply Permit No. 80-044.

7. In determining whether to enter into an agreement to acquire System, City used the services of Weber-Hall Engineering Consultants of San Andreas and the firm of Bartig, Basler and Ray, CPA accountants in Sacramento, to make studies of the proposal. The accountants studied both the financial records of City and the records of System. ✓

8. On April 26, 1983, in the City Hall of Angels Camp, City conducted a public hearing to discuss the purchase. At that time the facilities, purchase price, continued service, and rates were discussed with the public. The findings from the hearing were as follows:

1. There was no public opposition to the purchase of System by City.
2. The purchase price was reasonable.
3. The public was in favor of the purchase.

City has prepared a preliminary budget for the water system for 1983-1984.

9. City has staff on hand capable of handling the bookkeeping and billing services associated with System. Steps have been taken to acquire a billing program which would accept the customer information from PG&E records and place them in City's computer records. City has hired a maintenance person, familiar with both sewer and water treatment, who could be transferred to the water department upon the purchase of the water system. City also contemplates the hiring of an additional person to work in the water department. The Water Department Staff budget includes:

Bookkeeper-Billing Clerk	(1 one/eighth person)
Treatment Plant Operator	(1 full-time person)
Maintenance Person	(1 half-time person)
Meter Reader	(Contract)

In addition to the above-listed personnel, City's Superintendent of Public Works, who is responsible for the operation of all maintenance and public works departments, holds a Water Treatment Operator certificate and would be responsible for the overall operation of the water facilities and services. ✓

10. On January 3, 1984, PG&E and City entered into a Purchase Agreement whereby PG&E agreed to sell System to City for \$85,000. The agreement is attached to the application as Exhibit A.

The property to be conveyed to City pursuant to the agreement includes the water treatment plant and distribution system that serves basically the City. The agreement provides that the closing date shall be within sixty days after this Commission has issued a final and unconditional order approving the sale on the terms set forth therein. On the closing date, City will undertake the distribution of water from the System and PG&E will be relieved of all public utility obligations in connection with System. System will be transferred to City in an as-is condition, but PG&E has agreed to maintain system in its normal operating condition prior to the closing date and to complete any repairs it has undertaken. The agreement also provides that PG&E shall retain all accounts receivable arising out of service it has furnished and shall apply customer deposits for service against the customers' closing bills. PG&E has agreed to reimburse City for refunds in connection with water main extension agreements, and City has agreed to assume and perform all of PG&E's obligations under such agreements, including the obligation to make timely refunds. ✓

11. The Purchase Agreement sets forth the terms and conditions under which PG&E will supply water to System after the closing date. PG&E is committed to provide a base supply of water not to exceed 800 acre-feet per calendar year free of charge. The agreement also provides that, in excess of the quantity of water to be provided free, PG&E will sell to City up to 800 acre-feet of water per year. The cost of such additional water will be based on (1) the value of such additional water for power generation at Angels Powerhouse, if operating, and (2) other costs to PG&E ratepayers incurred in providing such additional water.

12. City has agreed that after it takes possession of System, it will be solely responsible for the operation and maintenance of it. In addition, City has agreed to maintain \$2,000,000 in combined single limit or equivalent comprehensive general liability insurance and self-insurance for the benefit of itself and PG&E for a period of two years. PG&E will provide, at no cost, training in System procedures to employees designated by City for three months prior to and six months after the closing date and will furnish City with up to 30 man-days of computer consulting service to assist City in developing its billing program.

13. City wishes to purchase and operate System because it believes that local ownership of water service is in the best interest of and is desired by its residents. City intends to operate the System as historically done by PG&E.

14. City proposes to utilize the current rates authorized for PG&E for water service after the closing date. After gaining operating experience, City will evaluate the need for potential improvements to System and whether a change in rates may be necessary.

15. In April 1984, PG&E mailed a notice of the application for proposed transfer to each System customer. The notice was defective in that it did not advise the customers of their right to protest or comment to the Commission if they opposed the application. The assigned Administrative Law Judge directed that proper notice be given. On September 21, 1984, an appropriate notice was mailed to each customer. The period designated for filing protests ended on October 22, 1984.

One customer protested the proposed transfer. The basis of the protest is that if City acquired System it will be removed from the ratemaking jurisdiction of the Commission. The customer fears that there would be no control over rates. ✓

16. City has the resources and experience to acquire and adequately operate System.

17. The proposed transfer of Sytem from PG&E to City is not adverse to the public interest.

18. To enable City to expeditiously utilize the budgeted amounts for the acquisition of System, this decision should be made effective on the date of issuance.

19. There is a \$559,050 loss on this transaction because the sale price is substantially below the net book value of the system.

Conclusions of Law

1. If City acquires System it will hold the system subject to the public utility duties and obligations now imposed on PG&E. (South Pasadena v Pasadena Land & Water Company, 152 Cal. 579, 593; People ex rel City of Downey v Downey County Water District, 202 Cal. App. 2d 786, 796-97; Erwin v The Gas Canal Co., 226 Cal. App. 2d 189.) Rates for System will be set in accordance with the Government Code and applicable provisions of law. ✓

2. The application should be granted. ✓

INTERIM OPINION

IT IS ORDERED that:

1. On and after the effective date of this order Pacific Gas and Electric Company (PG&E) may sell and transfer its Angels Water System (System) to the City of Angels (City) in accordance with the agreement attached to the application as Exhibit A.

2. Within 30 days after City takes possession of System, it shall notify the Commission in writing of that fact.

3. The foregoing authority is conditioned on City's assuming liability for all refunds under main extension agreements between System and others existing on the day it takes possession of System. City shall provide the Commission with satisfactory proof of such assumptions within 30 days of taking possession of System.

4. Consistant with our previous orders, the disposition of the loss will be reserved pending disposition of the gain on sale issue in A.83-04-37. PG&E is directed to record the loss in a suspense account pending further order of the Commission.

5. Upon compliance with all of the conditions of this order, PG&E shall stand relieved of its public utility obligations with respect to System.

6. The application is granted as set forth above. ✓

This order is effective today.

Dated December 19, 1984, at San Francisco, California.

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
WILLIAM T. BAGLEY  
FREDERICK R. DUDA  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director

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Decision 84 12 052

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