

L/MMA:kad

Decision 88 12 048 DEC. 9 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Petition of)
 the City of Jackson, a Municipal)
 Corporation, requesting the)
 Public Utilities Commission of)
 the State of California to fix)
 just compensation for the acqui-)
 sition of the public utility)
 property of JACKSON WATER WORKS,)
 INC. known as JACKSON WATER WORKS)
 within and adjoining the boundaries)
 of said CITY OF JACKSON.)

ORIGINAL

Application No. 84-04-052
(Filed April 10, 1984)

ORDER MODIFYING DECISION
(D-) 88-09-021 AND DENYING REHEARING

Jackson Water Works, Inc. has filed an application for rehearing of Decision (D-) 88-09-021. We have considered all the allegations of error in the application and are of the opinion that good cause for rehearing has not been shown. However, we believe that our reasoning in the previous decision for determining the amount of just compensation could be clarified further. Therefore, we modify the decision accordingly.

Therefore,

IT IS HEREBY ORDERED that D.88-09-021 is modified as follows:

1. The first sentence of the last paragraph on page 26 is modified to read:

JWW based its standards of valuation on a water system that enjoyed operational excellence which is not the case in fact. To reflect that disparity, the asking price must be adjusted downward accordingly.

2. Change Finding of Fact #4 to read:

"Evidence of the condition of JWW's water system, net rate base, reproduction cost new less depreciation, capitalization of earnings, comparable sales, and debt service capacity was reasonably considered in valuing the subject property."

3. Add the following, numbered as indicated, to the Findings of Fact:

5. The condition of the JWW system requires a pipe replacement of \$2,400,000 in the near term and additional expenditure in the longer term of \$1,950,000 for further improvements and replacements.

6. Informed buyers and sellers would be aware that the market for JWW would include both private entities and public agencies.

7. Net rate base for JWW as of March 31, 1984 was \$1,297,000 and capitalization of earnings of a regulated utility should approximate net rate base over time.

8. Willing buyers and seller would give credence to RCNLD at \$4,294,079 as the maximum value of JWW, but would discount RCNLD to reflect the substantial sums required to bring the system up to standard.

9. Using the comparable sales approach, if the sales as indicated by JWW are comparable on a per customer basis the indications are that JWW should yield a market price of \$1,268,466 ($\$978 \times 1,297$ customers).

10. The suggested value of \$3,527,176 minimum is a reasonable indicator of the worth of JWW to City, however, our finding of needed structural improvements would decrease the amount a buyer would pay to a seller.

11. The amount of JWW's liability for advances in aid of construction and the amount of advances subject to refund will be determined in later proceedings. Once those issues are resolved, the just compensation award to be paid by the City should be reduced by the present worth of the refund contracts, if the City assumes those obligations.

4. Renummer Finding of Fact #5 to read Finding of Fact #12.

IT IS FURTHER ORDERED that rehearing of D.88-09-021, as modified herein, is hereby denied.

This order is effective today.

Dated DEC 9 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
C. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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


Victor Weissert, Executive Director

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