

Decision 89 04 019

APR 12 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Quincy Water Company, )  
Inc., doing business as Quincy Water )  
Company, Inc., to sell and Plumas )  
County Service Area No. 13 to buy )  
the water system in Quincy, Plumas )  
County. )

Mailed

APR 15 1989

Application 88-09-016  
(Filed September 7, 1988)

CIS I.D. U-57W

OPINION

This is an application in which Quincy Water Company, Inc. (Quincy) seeks authority to sell and transfer its public utility water system to Plumas County Service Area No. 13 (Service Area).

The Commission makes the following findings and conclusions.

Findings of Fact

1. Quincy is a California corporation which owns and operates a water corporation, as defined in Public Utilities (PU) Code § 241, that serves water to approximately 730 customers in or near the town of Quincy, Plumas County.

2. Service Area is a duly formed county service area under the laws of California.

3. Quincy's water system consists of three wells with pumps along with two springs and three diversions from creeks. There are two tanks with a total capacity of 2,000,000 gallons. It has a chlorinator and iron and sand filters. Quincy has 75,335 feet of water mains, 732 installed meters, and 75 fire hydrants. It owns three buildings.

4. As of December 31, 1987, the original cost, less depreciation, of Quincy's utility plant was \$155,443.

5. Quincy has been operating the water system at a loss for many years, and as a result, has been financially unable to comply with Health & Safety (H&S) Code Section 4017(c), ensuring that the system was provided with a reliable and adequate source of pure, wholesome, healthful, and potable water. Compliance Order No. 01-004 was issued by the Department of Health Services (DHS) on August 14, 1986, but Quincy was unable to comply due to the lack of funds (\$100,000-\$300,000 was required) and a moratorium on new connections became effective that date.

6. On February 1, 1988, DHS filed a Complaint for Money Penalty and Request for Injunctive Relief (No. 13435) in the Plumas County Superior Court. At that time Quincy had accrued obligations of approximately \$100,000. Faced with these facts, Quincy and various public authorities determined that the preferable solution to the problem was to convert Quincy into a community owned system, which would enable the system to meet the requirements of the H&S Code and end the moratorium on additional connections.

7. On June 14, 1988, the Board of Supervisors of Plumas County authorized the acquisition of Quincy. On July 15, 1988, Service Area and Quincy entered into an agreement in which Service Area agreed to purchase Quincy's water system and additional office equipment for \$157,500 in cash. A copy of the agreement is attached to the application as Exhibit A.

8. On November 22, 1988, notice of the filing of the application was mailed to each Quincy customer. One customer sent a letter of "concern" to the Commission. The writer stated that he did not protest the proposed transfer but was concerned the price being paid for the water system might be excessive.

9. The matters contained in the letter of concern are not sufficient to require a hearing. Service Area is paying \$157,500 for a water system and additional office equipment. The original cost, less depreciation, of the utility plant is \$155,443.

10. A public hearing is not necessary in this matter.

11. Service Area has the ability, including financial ability, to acquire Quincy and continue to serve its customers.

12. The proposed transfer of Quincy's water system to Service Area is not adverse to the public interest.

13. Quincy is not holding any deposits from customers.

14. Quincy has paid on a current basis all refunds due on main extension advances, and it and Service Area have entered into an agreement for Quincy to pay future refunds as they become due.

15. General Order 103 V.1, provides that:

"V. Extension of Service

"1. Mains. Each utility shall file with this Commission as a part of each of its regularly filed tariff schedules the main extension rule prescribed by this Commission."

The main extension rule prescribed by the Commission (Rule 15) provides in part that:

"A 4. Ownership, Design and Construction of Facilities

"a. Any facilities installed hereunder shall be the sole property of the utility. In those instances in which title to certain portions of the installation, such as fire hydrants, will be held by a political subdivision, such facilities shall not be included as a part of the main extension under this rule."

Since the property transferred to the utility is the source of funds from which refunds are paid, Service Area, by acquiring the property, should have the primary obligation to make the refunds, although it may look to the agreement with Quincy to discharge the obligation.

16. PU Code § 431 directs the Commission to fix an annual fee to be paid to the Commission by each regulated sewer system and that fee for 1988-89 has been set at 1.5% of all water revenues collected by each water utility for the year. It is reasonable to

require the payment of such fees as may be owing as condition of transfer.

17. Because the public interest would best be served by having the transfer take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusions of Law

1. The letter of concern sent by a Quincy customer to the Commission does not contain anything which should delay or require disapproval of the proposed transaction.

2. The proposed sale should be approved on the express condition that Service Area should assume liability for all refunds under main extension agreements between Quincy and others existing on the date Service Area acquires the assets of Quincy.

3. The proposed sale should be authorized on the express condition that all fees due the Commission pursuant to PU Code § 431 be paid to the date of transfer.

4. The application should be granted as hereafter provided.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Quincy Water Co., Inc. (Quincy) may sell and transfer its assets to the Plumas County Service Area No. 13 (Service Area) in accordance with the agreement attached to the application as Exhibit A, and the parties are authorized to execute such agreement and to carry out the terms and conditions thereof, except as herein modified.

2. Within 30 days of the sale and transfer of the assets of Quincy to Service Area, Service Area shall notify the Commission in writing of that fact and within such period shall file with the Commission a true copy of each instrument by which such transaction has been accomplished.

3. The foregoing authority is conditioned upon Service Area assuming liability for all refunds under main extension agreements between Quincy and others existing on the date Service Area acquires the assets of Quincy; Service Area shall provide the Commission with satisfactory proof of such assumptions within 30 days of the acquisition.

4. Upon compliance with all of the conditions of this order, including the payment of the fee provided in PU Code § 431 for year 1988, and such other period as may occur until the sale and transfer are consummated, Quincy shall stand relieved of its public utility obligations and may discontinue service concurrent with the commencement of service by Service Area as contemplated in the agreement between the parties.

5. The authority granted in Ordering Paragraph 1 shall expire on December 31, 1989 if it has not been exercised by that date.


This order is effective today.

Dated APR 12 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

Commissioner Frederick R. Duda  
being necessarily absent, did  
not participate.

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

  
Victor Weisser, Executive Director