

Decision 89 09 008 SEP 7 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the City of	)	
Porterville, a California municipal	)	
corporation, for authority to	)	Application 88-12-058
purchase the water of Lindale Water	)	(Filed December 29, 1988;
Company, Inc., a California	)	amended February 28, 1989)
corporation.	)	

C. G. Huffaker, for City of Porterville;  
 and Lee Hutchingson, for Lindale Water  
 Company, Inc.; applicants.  
Marjorie W. Blevins, for Kenneth R. and  
 Marjorie W. Blevins, protestants.  
Richard Finnstrom, for the Commission  
 Advisory and Compliance Division.

OPINION

This is an application in which Lindale Water Company, Inc. (Lindale) seeks authority to sell and transfer its public utility water system to the City of Porterville (Porterville).

A duly noticed public hearing was held in this matter before Administrative Law Judge (ALJ) Donald B. Jarvis in Porterville on June 15, 1989, and the proceeding was submitted on that date. The ALJ filed his proposed decision on July 31, 1989. No comments were filed.

Discussion

Notice of the filing of the application was served on each Lindale customer. Several protests were received. The presiding ALJ calendared the matter for hearing.

One protestant entered an appearance at the hearing. After the presentation of evidence, the protestant made a closing statement about the reason for protesting and indicated that she was withdrawing her protest.

No other points require discussion. The Commission makes the following findings and conclusion.

Findings of Fact

1. Lindale is a public utility water corporation as defined in Public Utilities Code § 241 subject to the jurisdiction of the Commission. Lindale serves approximately 1,500 customers in and adjacent to Porterville.

2. Porterville is a chartered city. It operates a municipal water system.

3. On December 27, 1988, the parties entered into an agreement in which Porterville agreed to buy all the assets of Lindale for \$1,650,000.

4. As of December 31, 1988, the original cost, less depreciation of Lindale's utility plant was \$749,371. Lindale also had current assets of \$6,294.

5. Although Lindale has not yet had problems with water quality, the changing standards of the E. P. A. and County, State, and Federal Health Departments will eventually create difficulties that will prove very costly for a small company such as Lindale. It has expressed concern regarding its ability to meet the ever-increasing water testing requirements imposed upon all service providers by the Department of Health Services. Porterville has an experienced staff currently performing these tests for the city's water system. Lindale will need to make capital improvements to the existing wells when it is considered that three of its wells reveal Gross Alpha measured at the maximum allowable limit, two other wells measure at the maximum allowable limit of P.C.E., and yet another two contain nitrates measured at the upper allowable limits. Porterville will be in a better position to finance and make these improvements.

6. If Porterville acquires Lindale, the city and immediate vicinity will be served by a single fully inter-tied water system following connections and improvements to be made by the city after the purchase. Porterville's purpose in obtaining Lindale is to provide uniform water service throughout the community and to

improve fire service to the areas currently served by Lindale. Portions of Lindale's service area are not in compliance with fire flow standards. Porterville's acquisition of Lindale is also an integral part of the fulfillment of the city's Master Plan for Water. If the transaction is not approved, it is anticipated that Porterville would eventually find it necessary to install capital improvements duplicating those already in place through the Lindale system in order to complete the Master Plan.

7. The parties believe the selling price to be justified. Porterville is building to the northwest, and long range forecasts include much additional expansion. An assured customer addition of 300 to 400 more homes in the next two or three years, to be served by the Lindale system, will come from three subdivisions now being constructed. Lindale added a new pumping plant in the center of this activity in the spring and summer of 1988.

The year 1989 is a third consecutive drought year and water conservation is becoming increasingly important. An effective policy to conserve water is installation of meters, a program now being done by Porterville in its municipal system. If the proposed transaction is authorized, Porterville has announced plans to install meters in areas now on flat rate service, and has already published new rates that are affecting all city customers. With the growth potential and the increased revenue from meters, Porterville will recoup the cost of purchase in eight or ten years. The appraisal report on Lindale stated that the condition of Lindale was excellent.

8. Porterville has the ability, including financial ability, to acquire Lindale and continue service to its customers.

9. The proposed sale and transfer of Lindale to Porterville is not adverse to the public interest.

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

Conclusion of Law

The application should be granted as hereafter provided.

This authorization is not a finding of the value of the rights and properties to be transferred.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, the City of Porterville (Porterville) may acquire all of the assets of Lindale Water Company, Inc. (Lindale) in accordance with the terms of the application, except as hereinafter provided.

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

3. Porterville shall assume any liability for refunds of main extension advances.

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

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

6. As a condition of this grant of authority Porterville shall apply the same rates, rules, and conditions to customers outside of its municipal boundaries as it applies to customers inside boundaries, except as necessary to offset any tax or assessment on customers inside the boundaries which benefits other customers.

7. The authority granted by this order shall expire on October 31, 1990, if it has not been exercised by that date.

This order is effective today.

Dated SEP 7 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. CHANAN  
PATRICIA M. ECKERT  
Commissioners

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

*Wesley Franklin*

WESLEY FRANKLIN, Acting Executive Director

*AB*

Decision \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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