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Decision 90-12-055 December 19, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Dominguez Water Corporation (U 330 W), KERNVILLE DOMESTIC WATER COMPANY, (U 295 W) and BODFISH WATER COMPANY, (U 284 W) for an Ex Parte hearing and Order authorizing the acquisition of certain assets of Bodfish Water Company by Kernville Domestic Water Company.



Application 90-08-005 (Filed August 1, 1990)

<u>OPINION</u>

Bodfish Water Company (Bodfish) and Dominguez Water Company (Dominguez) through its wholly owned subsidiary, Kernville Water Company (Kernville), jointly apply for the purchase of the assets of Bodfish, by Kernville. The application is made pursuant to Public Utilities (PU) Code §§ 851 through 854.

Notice of the filing of the application appeared in the Commission's Daily Calendar on August 9, 1990. No protest has been received. A public hearing is not necessary.

Bodfish is a certificated public utility and a California corporation which operates a water system serving 774 customers at Bodfish, California, near Lake Isabella. The purchaser, Kernville, is also a public utility which provides water service to customers in northern Los Angeles County and southern Kern County. Bodfish wishes to be relieved of its operating obligation because it is unable to provide economical water service and cannot earn a reasonable return on its investment. Applicants believe that Kernville is better able to finance improvements to the system and to provide adequate operations and maintenance.

Bodfish's plant in service for income tax purposes is valued at \$265,352, including a \$244,469 Safe Drinking Water Bond Act loan. The latest net plant adopted by the Commission was in

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Resolution N-3423, dated November 23, 1988. The net book cost adopted in that resolution was \$65,940. The agreed sales price is \$76,138 to be paid in full at a determinable closing date. This price may exceed the utility's present net book cost.

Kernville and Dominguez show total assets as of June 30, 1990 of \$1,156,714 and \$37,216,392, respectively. Dominguez's consolidated 1990 income statement shows its net income as \$634,540. Kernville's income statement shows a net loss of \$6,877 for the first six months of 1990.

Applicant Kernville seeks no change in Bodfish's current authorized rates in this application. No protest has been received. A public hearing is not necessary. We find that the transfer of Bodfish to Kernville is not adverse to the public interest.

Findings of Fact

1. Applicants jointly seek authority to transfer all of the assets of Bodfish to Kernville.

2. No protests to the application have been received.

3. Utility plant-in-service includes \$244,469 of Department of Water Resources Safe Drinking Water Bond Act financed property which is not a component of rate base.

4. Kernville is aware of the present rates and rate base and represents that it will not seek changes in present rates before Bodfish's next general rate proceeding.

5. The latest Commission adopted net book cost is \$65,940.

6. The sales price is \$76,138.

7. Kernville is qualified to control and operate Bodfish.

8. Kernville and its parent, Dominguez have sufficient net worth to purchase and operate the assets of Bodfish to Kernville.

9. The transfer of the assets of Bodfish to Kernville transferees is not adverse to the public interest.

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Conclusions of Law

1. A public hearing is not necessary.

2. The transfer of all of the assets of Bodfish to Kernville should be authorized.

3. Because Kernville is paying more than the original cost remaining after deducting accumulated depreciation and contributions. Future rates should be based upon the depreciated original cost of the plant, excluding contributed plant, and not on the purchase price.

<u>O R D E R</u>

IT IS ORDERED that:

1. Bodfish Water Company is authorized to transfer all of its assets to Kernville Water Company.

2. Within 10 days after the completion of the transfer, Kernville shall notify the Commission's Advisory and Compliance Division (CACD) Director, in writing, of the date of the transfer and of the date upon which transferees shall have assumed operation of Bodfish. A true copy of the instruments of transfer shall be attached to the notification.

3. Kernville shall keep Bodfish's books and records in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

4. Kernville shall file an annual report, in compliance with General Order 104-A, on a calendar year basis.

5. Kernville shall assume Bodfish's responsibility for paying the user fee under PU Code Section 401 et seq.

6. Kernville and Bodfish shall take the necessary steps required by the Department of Water Resources for transferees to assume the Safe Drinking Water Bond Act loan obligations. Applicants shall jointly provide a true copy of the contract assumption to the CACD Director upon execution.

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7. Before the transfer occurs, Bodfish shall deliver to Kernville, and Kernville shall keep, all records of the construction and operation of Bodfish.

8. When the authorized transfer is complete and the conditions of this order are fulfilled, Bodfish shall be relieved of its public utility obligation for the transferred system.

9. Future rates shall be based upon the depreciated original cost of the utility plant, excluding contributed plant, and not on the purchase price.

10. The authority granted in this application is not a finding of the value of the rights and properties to be transferred.

11. Kernville will use its existing Corporate Identification No. U-295-W in connection with the certificate or authority issued in this proceeding. The number shall appear in the caption of all original pleadings and in the title of pleadings filed in existing cases with this Commission.

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This order is effective today.

Dated December 19, 1990, at San Francisco, California.

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

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