

ORIGINALDecision No. 86793

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Santa Clarita Water Company for
Authority to increase its rates
and charges for water service in
Bouquet Canyon and vicinity near
Saugus in the northeastern portion
of Los Angeles County.

Application No. 56053
(Filed November 6, 1975;
amended March 23, 1976)

ORDER MODIFYING DECISION

Decision No. 86552, dated October 26, 1976, in this proceeding authorized Santa Clarita Water Company to file increased rates and authorized a lease for four 1-million gallon water tanks. Finding No. 8 of that decision requires that the lease agreement be modified to allow the utility the right of accelerated depreciation for the leased tanks and to include a provision for purchase of the tanks at the end of the 15-year lease term at net salvage value.

By a petition for modification of Decision No. 86552, filed December 8, 1976, Santa Clarita Water Company states that the leasing corporation advises that it cannot execute a lease containing a provision for purchase of equipment by the utility at the end of the lease term at salvage value because the Internal Revenue Service will construe such an agreement as an installment purchase agreement and the leasing corporation would be denied the right to take a depreciation deduction on the tanks for federal income tax purposes which is an essential condition for the lease agreement.

The petition further states that the accountants for the utility advise that if the utility leases the tanks for the term of 15 years that only the lessor of the tanks will be able to depreciate

them under applicable provisions of the Internal Revenue Code. The petition for modification asks that Finding No. 8 in Decision No. 86552 be modified to delete the requirement that the utility be given the right of accelerated depreciation and to modify the provision for purchase of the tanks at the end of the lease term to provide that the price be equal to the then fair market value of the tanks.

The Commission finds and concludes that Decision No. 86552 should be modified as requested.

O R D E R

IT IS ORDERED that Decision No. 86552 is modified to amend Finding No. 8 to provide as follows:

- 8. Applicant is authorized to enter into a lease for four 1-million gallon welded steel tanks meeting AWWA standards under the terms set forth in Exhibit 19 herein; provided that a) Applicant shall not be required to indemnify the lessor of said equipment for any loss incurred by it if, for any reason, such lessor is not entitled to depreciate said equipment; and b) a provision is inserted in said lease for purchase by Applicant of the tanks at the end of the lease term at a price equal to the then fair market value of said tanks. An executed copy of the lease agreement must be filed with the Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this

21st day of DECEMBER, 1976.

[Signature]
President
William Agoson Jr.
Vernon L. Sturgeon
[Signature]

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.