

Decision No. 87009

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SAN GABRIEL VALLEY WATER )  
COMPANY and CITY OF PICO RIVERA )  
for an order authorizing the )  
sale of certain properties of )  
San Gabriel Valley Water Company )  
to the City of Pico Rivera. )

Application No. 56851  
(Filed November 3, 1976)

O P I N I O N

By this application, San Gabriel Valley Water Company (Company) requests authority to sell and transfer a portion of its Whittier Division water system (water system) in Los Angeles County to the city of Pico Rivera (City) and to be relieved of public utility obligations within Pico Rivera. Company further requests that the application be granted ex parte.

Description

Company provides public utility water service to about 63,000 customers in San Bernardino County and Los Angeles County of which approximately 5,000 lie within Pico Rivera in Los Angeles County. The Whittier Division, including the portion in Pico Rivera, serves about 13,000 customers. Company's proposal would have City serve all its customers within Pico Rivera except for 12 nonresidential customers. Service to these 12 exceptions by the City is infeasible and they will continue to be served by Company.

City joined in the application and intends to operate the system as a municipal utility after acquisition. City represents that it will continue to provide water service to present customers and to applicants for service in the area currently served by the water system. Both the City and the utility express the desire to have the transfer accomplished at the earliest possible time.

City has held public meetings where the acquisition was discussed. Notification of customers was accomplished by means of a series of articles in City's newsletter which is mailed to each resident. Company mailed notices of the proposed transfer to each customer. The Commission received several responses objecting generally to the need for the transfer and consequent increase in rates.

Advances and Deposits

Company will continue to make refunds for advances under the main extension rule. Refunds will be based on revenues received by City. According to Company, customer deposits will be refunded upon receipt of outstanding balances due Company.

Sales Transaction

According to Company, the book value of the system is approximately \$1.9 million. Included in the sale would be Company's water rights within Pico Rivera, approximately 3,000 acre-feet of water per year. Although these water rights are not capitalized on Company's books, the prevailing market for water rights permits a price of approximately \$350 per acre-foot according to the Los Angeles County assessor. The agreed sale price of the system and water rights is \$6.4 million. This sum will be transferred to Company on the date of closing. City raised this capital by selling Leasehold Mortgage Bonds issued in December 1976. The bonds were sold by the Pico Rivera Water Development Corporation, an entity formed by City exclusively for the purpose of selling bonds to raise capital to acquire all privately owned water systems and a municipal water system operating within Pico Rivera. These bonds were sold on December 7, 1976 at a rate of 6.4 percent, a rate considered favorable to City.

Service

City will commence operation of the system on the date of closing. Routine utility functions such as meter reading and leak repairs will be handled by City's staff. Billing will be contracted to a vendor and major repair work will be performed on a contract basis by the city of Downey. The water division, public works department, of the city of Downey satisfactorily serves about 12,500 customers in Downey.

Water Supply

Demand for water in the water system is approximately 3,440 acre-feet per year. As City owns the rights to 279 acre-feet per year and it will acquire rights to about 3,000 acre-feet per year, it must consequently lease the right to the balance which is readily available from pumped sources within Pico Rivera.

Rates

City on December 20, 1976 adopted rates to be charged all customers to be served within its proposed service area (Municipal Code 5443.11):

"1. General Water Service

"(aa) Monthly rate for water service as set forth herein entitles the customer to purchase water at quantitative charge for water delivered.

<u>Size of Meter</u>	<u>Monthly Meter Rate</u>
5/8"	\$ 4.00
3/4"	4.50
1"	6.50
1 1/2"	12.00
2"	18.00
3"	32.00
4"	40.00
6"	45.00

"(bb) Quantitative charge: For all water delivered there will be a charge of thirty (30) cents per 100 cubic feet."

For a typical residential customer using 2,000 cubic feet per month City's rates would result in an increase of approximately 25 percent from the present \$7.97 to \$10.00 at City's rates.

Environmental Impact

It can be seen with certainty that there is no possibility that this transfer of ownership per se may have a significant effect on the environment. However, the transfer is part of a larger project whereby City intends to purchase and consolidate the ownership and operations of several water systems operating within Pico Rivera. City is the lead agency for this project pursuant to the California Environmental Quality Act of 1970, as amended, and on May 17, 1976 approved its final "Environmental Impact Report for the Water Purveyors Purchase Project" which has been filed with the Commission. This Environmental Impact Report stated that the purpose of the project is "to provide uniform water service and improved supply for fire protection." The Environmental Impact Report cited the elimination of service area fragmentation as the motive for initiating the overall project.

Findings

1. The proposed transfer would not be adverse to the public interest.
2. The authorization granted shall not be construed as a finding of value of the rights and properties authorized to be transferred.
3. Due to the urgency expressed by both the City and the utility, the effective date of this order should be the date hereof.

4. Upon consummation of the sale and transfer, Company shall be relieved of its obligation to provide public utility water service within Pico Rivera, except to that portion explicitly excluded from the sale.

5. A public hearing is not necessary.

Conclusion

The Commission concludes that this application be granted in accordance with the ensuing order.

O R D E R

IT IS ORDERED that:

1. On or before February 1, 1978, San Gabriel Valley Water Company may sell and transfer the water system referred to in the application to the city of Pico Rivera, according to the terms and conditions attached to the application.

2. On or before the date of actual transfer, seller shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund.

3. As a condition of this grant of authority, seller shall assume all liability for refunds of main extension advances, if any.

4. Within ten days after the completion of the transfer seller shall notify the Commission, in writing, of the date of transfer, of the refunding of the deposits, and of the date upon which purchaser shall have assumed operation of the water system. A true copy of the instruments of transfer shall be attached to the notification.

5. Upon compliance with all of the terms and conditions of this order, seller shall be relieved of its public utility obligations in connection with the water system transferred.

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

Dated at San Francisco, California, this 23rd day of FEBRUARY, 1977.

Robert Bateman  
President

Flora

Richard W. Howell  
Commissioner's

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.