

ORIGINAL

Decision No. 88313 JAN 10 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PARK WATER COMPANY and the Cities of DOWNEY and PICO RIVERA for an Order authorizing the transfer of certain properties of PARK WATER COMPANY to the Cities of DOWNEY and PICO RIVERA.

Application No. 57753
(Filed December 21, 1977)

Application of SOUTHERN CALIFORNIA WATER COMPANY and the CITIES OF DOWNEY and PICO RIVERA for an order authorizing the transfer of certain properties of Southern California Water Company to the Cities of Downey and Pico Rivera.

Application No. 57769
(Filed December 27, 1977)

O P I N I O N

Park Water Company (Park), by Application No. 57753, and Southern California Water Company (SCWC), by Application No. 57769, request authority under Section 851 of the Public Utilities Code to sell and transfer portions of their water systems in Los Angeles County to the Cities of Pico Rivera (Pico Rivera) and Downey (Downey) and to be relieved of public utilities' obligations within Pico Rivera and Downey. Applicants further request that applications be granted ex parte. Applicant Downey alleges that bonds to finance the purchases must be sold prior to January 31, 1978 and that authority for the sale and transfer of the water utilities is required prior to the issuance of the bonds and, therefore, requests that such authority be timely.

Previous Action

Applicants Park, SCWC, Pico Rivera and Downey filed Application No. 57212 on April 7, 1977 requesting authority for the sale and transfer of basically the same portions of the utilities' systems as are contained in present applications. Their request was approved by Decision No. 87646, dated July 26, 1977. However, because of litigation and threatened litigation by the Cities of Paramount and South Gate regarding transfer to SCWC of portions of Park's system which were within the cities' boundaries, the applicants decided not to consummate the authorized transactions, but to conclude separate agreements not involving Park's facilities within the Cities of Paramount and South Gate. These new agreements are now the basis of current applications.

General

The Cities of Downey and Pico Rivera allege they desire to purchase portions of the water systems of Park and SCWC pursuant to programs to purchase and consolidate the ownership and operation of several water systems operating within each city. Park and SCWC allege they entered into the agreements to sell under threat of condemnation in order to avoid the expenses of litigation.

Downey has created the City of Downey Water Facilities Corporation, a nonprofit California corporation (Downey Corp.), in order to facilitate the financing of such acquisition by the issuance of its bonds, with the sublease to pay the debt service on the bonds. For financing purposes only the properties acquired by Downey, concurrently with such acquisition, will be leased by Downey to Downey Corp. for the term necessary to secure the financing, and subleased by Downey Corp. to Downey. Such lease

and sublease will terminate at such time as they no longer are needed to secure the financing. Downey will have all control and responsibility for operation of the properties acquired.

Pico Rivera, in order to provide the necessary funds for acquisition of the water systems, has formed the Pico Rivera Water Development Corporation to aid in the purchase of said facilities for the use and benefit of Pico Rivera.

SCWC provides service to about 114,711 customers in Los Angeles County, of which approximately 2,439 lie within Downey and 495 within Pico Rivera. Park provides service to about 41,000 customers in Los Angeles County, of which approximately 8,219 lie within Downey and 2,239 within Pico Rivera. The water division, Public Works Department, of Downey currently serves about 12,500 customers within Downey while Pico Rivera serves about 6,000 customers within Pico Rivera.

Downey and Pico Rivera join in the applications and intend to operate the systems as municipal utilities after acquisition. Both cities maintain that they will continue to provide water service to present customers and the applicants for service in the areas currently served by SCWC and Park within the boundaries of the respective cities. All parties express the desire to have the transfers accomplished at the earliest possible time.

Customer Notification

In Application No. 57212, Downey and Pico Rivera alleged that they independently held public meetings where the acquisitions were discussed. Notification of customers was accomplished by means of newsletter articles and by the respective city council agenda dissemination. SCWC and Park mailed notices of the proposed transfers to their customers in Pico Rivera because of the increase

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in rates to be experienced by customers in that city. The Commission received several responses objecting generally to the need for the transfer and consequent increase in rates. In the current applications, the applicants are silent regarding customer notification. However, as these are, in effect, only continuations of the previous action and additional council meetings have been held, it is accepted that the customers have been notified.

Park Agreements

In an Agreement dated as of October 31, 1977, Park and Downey entered into a Water System Acquisition Agreement (the "Downey Agreement"), pursuant to which Park agreed to sell to Downey its mains, pipes, pumps, meters, service connections, valves, MWD connections, wells, easements, water rights and pumping rights associated with serving approximately 8,219 of Park's water service connections in Downey for a purchase price of approximately \$5,881,335, subject to adjustment based upon a definitive count of such connections. A copy of the Downey Agreement is attached to Application No. 57753 as Exhibit B.

Park and Pico Rivera have also entered into a Water System Acquisition Agreement dated as of November 7, 1977 (the "Pico Rivera Agreement"), providing for the sale to Pico Rivera of Park's mains, pipes, pumps, meters, service connections, valves, wells, easements, water rights and pumping rights associated with serving approximately 2,239 of Park's water service connections in and adjacent to Pico Rivera for a purchase price of approximately \$1,742,235, subject to adjustment based upon a definitive count of such connections. The Pico Rivera Agreement is attached to Application No. 57753 as Exhibit C.

Attached to Application No. 57753 as Exhibit D is a map delineating the service areas in which the Park facilities to be conveyed to Downey and Pico Rivera are located.

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SCWC Agreements

In an Agreement dated as of November 28, 1977, SCWC and Downey entered into a Water System Acquisition Agreement (the "Downey Agreement"), pursuant to which SCWC agreed to sell to Downey its mains, pipes, pumps, meters, service connections, valves, MWD connections, wells and easements, associated with serving approximately 2,439 of SCWC's water service connections in Downey for a purchase price of approximately \$1,219,500, subject to adjustment based upon a definitive count of such connections. A copy of the Downey Agreement is attached to Application No. 57769 as Exhibit B.

SCWC and Pico Rivera have also entered into a Water System Acquisition Agreement dated as of December 10, 1977 (the "Pico Rivera Agreement"), providing for the sale to Pico Rivera of SCWC's mains, pipes, pumps, meters, service connections, valves, wells, and easements, associated with serving approximately 495 of SCWC's water service connections in and adjacent to Pico Rivera for a purchase price of approximately \$247,500, subject to adjustment based upon a definitive count of such connections. The Pico Rivera Agreement is attached to Application No. 57769 as Exhibit C.

Attached to Application No. 57769 as Exhibit D is a map delineating the service areas in which the SCWC facilities to be conveyed to Downey and Pico Rivera are located.

Synopsis of Transfers

The following table summarizes essential information related to the component transfers sought by the application:

<u>Transfer</u>	<u>No. of Customers</u>	<u>Water Rights</u> (Acre-feet)	<u>Purchase Price</u> (Million \$)
SCWC-Downey	2,439	0	1.22
SCWC-Pico Rivera	495	0	.25
Park-Downey	8,219	10,750	5.88
Park-Pico Rivera	2,239	2,875	1.74

Park asserts that the book value of its properties appurtenant to this application is \$2.74 million. Park's water rights included in the sale (13,625 acre-feet per year) are not capitalized on its books; however, the prevailing market for water rights permits a price of approximately \$350 per acre-foot, according to the Los Angeles County Assessor.

SCWC states that the book cost of its properties appurtenant to this application is \$841,474. No water rights are to be transferred by SCWC.

Advances and Deposits

The applications state that Downey and Pico Rivera, respectively, shall assume the main extension agreements of Park, but that SCWC will remain liable on its main extension agreements, with total unpaid balance of \$11,786. Applicants are silent regarding refunding of customer deposits. However, in Decision No. 87646, previously noted, Park and SCWC were ordered to refund customer deposits. This will again be so ordered.

Service

Downey and Pico Rivera will commence operation of their respectively acquired systems on the date of closing. Downey will perform all normal utility functions in the systems acquired.

Water Supply

As a result of these transfers, Downey would acquire water rights of 10,750 acre-feet, and pumping rights of 8,600 acre-feet. The anticipated demand resulting from the proposed transfer would be 8,200 acre-feet. Pico Rivera would acquire total water rights of 2,875 acre-feet with allowable pumping rights of 2,300 acre-feet.

Rates

Downey intends to maintain current rates for present customers of Park and SCWC in those systems acquired by Downey. Pico Rivera intends to apply its own rates to those customers whose service Pico Rivera will assume.

A comparison of the present rates of SCWC, Park and Pico Rivera is shown in the following table:

Rates Charged by Park Water Company

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>
First 700 Cu.Ft., or less	\$ 3.31
Next 4,300 Cu.Ft., per 100 cu.ft.....	.383
Next 95,000 Cu.Ft., per 100 cu.ft.....	.304
Over 100,000 Cu.Ft., per 100 cu.ft.....	.263

Minimum Charge

For 5/8 x 3/4-inch meter	\$ 3.31
For 3/4-inch meter	4.15
For 1-inch meter	7.25
For 1 1/2-inch meter	14.50
For 2-inch meter	21.75
For 3-inch meter	36.00
For 4-inch meter	57.00
For 6-inch meter	115.00
For 8-inch meter	200.00
For 10-inch meter	285.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

Rates Charged By Southern California Water Company

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>
First 500 cubic feet, per 100 cubic feet	\$ 0.288
Over 500 cubic feet, per 100 cubic feet	0.320
 <u>Service Charge</u>	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	4.25
For 1-inch meter	7.00
For 1 1/2-inch meter	10.40
For 2-inch meter	16.50
For 3-inch meter	21.00
For 4-inch meter	46.00
For 6-inch meter	70.00
For 8-inch meter	115.00
For 10-inch meter	165.00

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rates.

Rates Charged By The City Of Pico Rivera

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

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

A typical customer of Park living in Pico Rivera who uses 20 Ccf per month would experience an increase of about 21% in his monthly bill, from \$8.29 at Park's rates to \$10 at Pico Rivera's rates. A typical customer of SCWC living in Pico Rivera who uses 20 Ccf per month would experience an increase of about 10% in his monthly bill, from \$8.99 at SCWC's rates to \$10 at Pico Rivera's rates.

Environmental Impact

It can be seen with certainty that there is no possibility that these transfers of ownership per se may have a significant effect on the environment. However, acquisitions of those systems of Park and SCWC by Downey and Pico Rivera are part of larger projects whereby Downey and Pico Rivera intend to purchase and consolidate the ownership and operations of several water systems operating within each city. Each city is the lead agency for their respective acquisition projects pursuant to the California Environmental Quality Act of 1970, as amended. On May 17, 1976, Pico Rivera approved its final "Environmental Impact Report for the Water Purveyors Purchase Project." The Commission took official notice of this EIR in Decision No. 87009, dated February 23, 1977. On September 15, 1976, Downey approved its final "Environmental Impact Report for the Water Purveyor's Purchase Project." These EIR's cited the elimination of service area fragmentation as the motive for initiating the overall projects.

Findings

1. The proposed transfers 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. Upon consummation of the sales and transfers, SCWC and Park should be relieved of their obligation to provide public utility water service within and around the Pico Rivera and Downey areas included in the transaction.
4. A public hearing is not necessary.

Conclusion

The Commission concludes that these applications should be granted in accordance with the ensuing order.

O R D E R

IT IS ORDERED that:

1. On or before July 1, 1978, Park Water Company and Southern California Water Company may sell and transfer the water systems referred to in the applications to the Cities of Downey and Pico Rivera, in accordance with the terms of agreements attached as exhibits to applications.
2. On or before the date of actual transfer, Park Water Company and Southern California Water Company shall refund all customers' deposits for the establishment of credit, if any, which are subject to refund, in the areas within the Cities of Downey and Pico Rivera.

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3. As a condition of this grant of authority, the Cities of Downey and Pico Rivera shall assume liability for refunds of main extension advances, if any, which have been established within the Cities of Downey and Pico Rivera, with the exception of those of SCWC. SCWC will retain responsibility for refunds on main extension agreements pertaining to plant transferred by SCWC.

4. Upon compliance with all of the terms and conditions of this order, Park Water Company and Southern California Water Company shall be relieved of their public utility obligations in connection with the water system transferred to the Cities of Downey and Pico Rivera.

Due to the immediate need of this authority by the City of Downey, the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 10th day of JANUARY, 1978.

Robert Bateman
President
William J. Brown
Vernon L. Sturgeon
Richard W. Hinkle
Clare J. Daniels
Commissioners