

RR/lq

AUG 19 1980

ORIGINAL

Decision No. 92122

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
 SAN JOSE WATER WORKS, a California  
 corporation, and SAN JOSE HIGHLANDS WATER  
 COMPANY, a California corporation, for an  
 order authorizing (1) the sale and transfer  
 to the SAN JOSE WATER WORKS of the water  
 system and certificate of public convenience  
 and necessity of the SAN JOSE HIGHLANDS  
 WATER COMPANY, (2) the discontinuance of  
 water service by the SAN JOSE HIGHLANDS  
 WATER COMPANY in the area now served by  
 the SAN JOSE HIGHLANDS WATER COMPANY, and  
 (3) the commencement of water service in  
 said area by the SAN JOSE WATER WORKS at  
 the rates then effective in the service  
 area of said SAN JOSE WATER WORKS.

Application No. 59841  
(Filed July 29, 1980)

O P I N I O N

San Jose Water Works (San Jose Water) and San Jose Highlands Water Company (San Jose Highlands) request authority, pursuant to Sections 816 through 830 and 854 of the Public Utilities Code, (a) For San Jose Highlands to sell and transfer and San Jose Water to acquire San Jose Highlands' certificate of public convenience and necessity, franchise and public utility properties, (b) For San Jose Highlands to discontinue water service to its customers, and (c) For San Jose Water to furnish water service to customers in the service area formerly served by San Jose Highlands at rates presently in effect in its service area. Notice of the filing of the application appeared on the Commission's Daily Calendar of July 30, 1980.

San Jose Highlands and San Jose Water are California corporations providing public utility water service in Santa Clara County. San Jose Highlands' service area is contiguous to that of San Jose Water which is presently providing water to the Highlands system.

No annual report was issued by San Jose Highlands for calendar year 1979. In calendar year 1978, the utility generated total operating revenues of \$31,001 and had a net loss of \$12,907.

In calendar year 1979, San Jose Water reports it generated total operating revenues of \$29,375,688 and net income of \$4,864,538.

Summarized below are the balance sheets of San Jose Highlands and San Jose Water as of the dates shown:

	<u>San Jose Highlands</u> <u>December 31, 1978</u>	<u>San Jose Water</u> <u>December 31, 1979</u>
<u>Assets</u>		
Net Utility Plant	\$120,795	\$105,423,587
Non-Water Utility Property	10,000	-
Current Assets	6,144	7,409,975
Deferred Charges	6,319	300,587
Total	<u>\$143,258</u>	<u>\$113,134,149</u>
<u>Liabilities &amp; Other Credits</u>		
Common Equity	(63,279)	\$ 34,674,732
Preferred Stock		6,407,200
Long-Term Debt		37,437,500
Current Liabilities	98,662	5,835,810
Other Credits & Reserves	61,504	14,046
Advances and Contributions in Aid of Construction	46,371	28,764,861
Total	<u>\$143,258</u>	<u>\$113,134,149</u>

(Negative)

According to the Agreement of Sale of Water System attached to the application as Exhibit A, San Jose Water agrees to pay the sum of one dollar (\$1) plus cancellation of indebtedness in the estimated amount of \$12,846.73 consisting of unpaid bills for water supplied to San Jose Highlands' customers. The sale price does not include accounts receivable, cash on hand or in bank, unbilled revenues, and refundable deposits advanced by customers. The property, when transferred, is to be clear of all liens, encumbrances and liabilities.

The application states that San Jose Highlands is anxious to withdraw from the public utility water business and believes it would be to the advantage of its customers to have the water system owned and operated by San Jose Water.

The application states that San Jose Water will continue to provide water to the Highlands System from its water system as it has done in the past. San Jose Water proposes to operate the Highlands System as a part of its own water service area, to integrate it for accounting and operational purposes, and to furnish water service in the Highlands service area at the effective rates in San Jose Water's tariffs.

San Jose Water is willing to purchase San Jose Highlands' water system because its accounting and operational functions may be integrated into its own existing system. San Jose Water is already providing the water for the Highlands System and the maintenance and operations thereof as part of the operations of San Jose Water and believes it will be in the public interest.

An emergency condition exists in the San Jose Highlands' service area. The Commission has been provided a copy of a mailgram from Thad C. Binkley, President of Thad C. Binkley, Associates, to the officers, directors and shareholders of San Jose Highlands notifying them that as of 5 p.m., July 28, 1980, his firm terminated all responsibility for operations and maintenance of San Jose Highlands. This communication also referred to several leaks needing immediate repairs but states that no funds have been advanced to cover Thad C. Binkley, Associates' costs.

The Revenue Requirements Division and the Utilities Division have reviewed the application and have concluded that the transfer of San Jose Highlands' water system and certificate of public convenience and necessity to San Jose Water is in the best interest of the utility's customers. The Divisions conclude the applicants' requests should be granted.

A.59841 RR/lc \*

Findings of Fact

1. San Jose Highlands and San Jose Water are both California corporations operating as public utility water companies operating under the jurisdiction of this Commission.

2. The proposed sale and transfer of San Jose Highlands' assets to San Jose Water would not be adverse to the public interest.

3. The transfer of San Jose Highlands' Certificate of Public Convenience and Necessity to San Jose Water Works would be in the public interest.

4. San Jose Water has the financial and operating ability to consummate this transaction without impairing its ability to continue to serve the public as a certificated public utility water company.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The authorization herein granted shall not be construed as a finding of the value of the rights and properties herein authorized to be transferred nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this Order, San Jose Highlands Water Company may sell and transfer its assets to San Jose Water Works in accordance with the terms of the Agreement of Sale attached to the application as Exhibit A.

2. Within ten (10) days after the actual transfer, San Jose Water Works shall notify the Commission, in writing, of the date upon which the transaction was consummated.

3. On or before the actual date of transfer, San Jose Highlands Water Company, shall refund all customers' deposits and advances held by it, if any, and, within ten (10) days thereafter, shall notify this Commission, in writing, that such refunds have been made.

4. On or before the end of the third month after the date of actual transfer San Jose Water Works shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of San Jose Highlands Water Company for the period commencing with the first day of the current year to and including the effective date of transfer.

5. On or before the end of the third month after the date of actual transfer, San Jose Water Works shall submit proposed journal entries recording the sale to the Commission for approval.

6. On or before the date of actual transfer of the properties herein authorized, San Jose Highlands Water Company shall transfer and deliver to San Jose Water Works, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

7. After the effective date of this order, and not more than thirty (30) days after the date of actual transfer, San Jose Water Works shall file a tariff service area map which includes the San Jose Highlands Water Company system within San Jose Water Works' tariff service area so as to provide for San Jose Water Works' assumption of operations in and application of San Jose Water Works' presently effective rates and rules to the service area acquired by the transfer. Such filing shall comply with General Order No. 96-A. The effective date of such revised tariff service area map shall be four (4) days after the date of filing.

8. Upon completion of the sale and transfer herein authorized and all the terms and conditions of this order, San Jose Highlands

A.59841 RR/lq

Water Company shall stand relieved of its public utility obligations with respect to the property herein authorized to be transferred.

The effective date of this order shall be thirty (30) days after the date hereof.

Dated AUG 19 1980, at San Francisco, California.

John E. Guymon  
President

Veronica L. Sturgeon

John J. DeJongh

Terrence M. Spence  
Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.