

ORIGINAL

Decision 93536 SEP 15 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 RICHARD L. JESSEE and BETTY JEAN )  
 JESSEE, doing business as MULBERRY )  
 WATER WORKS, and CALIFORNIA WATER )  
 SERVICE COMPANY, a corporation, for )  
 an order authorizing (1) the sale )  
 and transfer to California Water )  
 Service Company of the water system )  
 of Mulberry Water Works, (2) the )  
 discontinuance of service by )  
 Mulberry Water Works in the terri- )  
 tory now served by it, and (3) the )  
 commencement of service in said )  
 territory by California Water )  
 Service Company at the rates then )  
 effective in the Chico-Hamilton )  
 City District of California Water )  
 Service Company.

Application 60719  
(Filed July 8, 1981)

O P I N I O N

Richard L. and Betty Jean Jessee (sellers), doing business as Mulberry Water Works, are husband and wife who own and operate a public utility water system which provides service to domestic customers in unincorporated territory near Chico in Butte County.

California Water Service Company (buyer) is a California corporation owning and operating public utility water systems in several locations in California, which includes two separate systems serving the Butte County communities of Chico and Hamilton City.

Sellers and buyer have reached an agreement for the purchase and sale of sellers' water system. According to sellers' last annual report, the depreciated original cost of sellers' plant is \$11,000. As of December 31, 1980, sellers' had 108 flat rate customers.

Sellers are allegedly anxious to withdraw from public Utility service and believe that it would be advantageous to their customers if their public utility obligations were to be assumed by buyer. If the transfer is approved by the Commission, buyer plans to integrate sellers' service area, for accounting and operational purposes, into its Chico-Hamilton City District and charge the rates now in effect in that district. These rates would be substantially higher than those now charged by sellers.<sup>1/</sup> However, it is alleged that if sellers were to remain in control of the system, they would need a comparable rate increase. Furthermore, buyer plans to physically connect the two systems at a cost of \$11,000.

The parties join in alleging that the purchase price, \$27,500, is reasonable, and that buyer is capable of operating the system to provide adequate service at reasonable rates.

Attached to the application is a copy of a letter which was subsequently sent on July 22, 1981 to each of sellers' customers describing the sale. The letter states that any customer who wishes to protest the transfer should contact this Commission. The letter specifically informed customers that buyer would employ its own rates; a table of those rates was included. No protests have been received. A public hearing is not necessary.

Findings of Fact

1. No protests have been received and a public hearing is not necessary.
2. The proposed transfer will not reduce reliability of quality of service. Buyer has the experience, personnel, and financial resources to operate the system to be transferred and is an efficient and capable operator of water systems.

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<sup>1/</sup> Sellers now charge a typical customer \$6.50 per month. Buyer's flat rate for that same customer would be \$9.50 per month, a 46% increase.

3. Once the proposed connection between the systems is completed, the average capital expended on service to each of sellers' customers will approximate the depreciated rate base per customer in the rest of buyer's Chico-Hamilton City District.

4. Sellers could not, justly and reasonably, be required to provide service at rates significantly less than buyer's existing rates.

5. It is just, reasonable, and nondiscriminatory to apply buyer's existing rate structure to service to sellers' customers once the transfer is complete.

6. The proposed transfer is not adverse to the public interest.

This authorization is not a finding of the value of the rights and properties to be transferred.

Conclusion of Law

The transfer should be authorized. Buyer should be authorized to apply its existing rates to the customers served by the transferred plant.

O R D E R

IT IS ORDERED that:

1. On or before January 1, 1982, Richard L. and Betty Jean Jessee, husband and wife, may transfer the water system designated in the application to California Water Service Company.

2. As a condition of this grant of authority, buyer shall assume the public utility obligations of sellers, shall assume liability for refunds of all existing customer deposits, and shall notify the affected customers of the transfer of the system and the rate schedules to apply thereafter.

3. Within 10 days after transfer buyer shall write the Commission, stating the date of transfer and the date the requirements of paragraph 2 were completed. On or before the same date buyer shall file a revised service area map.

4. Buyer shall apply its existing tariffs to all service provided after the date of transfer.

5. As a part of the transfer sellers shall deliver to buyer, and buyer shall keep, all records of the construction and operation of the water system.

6. Within 90 days after actual transfer buyer shall file, in proper form, an annual report on sellers' operations from the first day of the current year through date of transfer.

7. When this order has been complied with, sellers shall have no further obligations in connection with this water system.

8. Buyer is placed on notice that, for ratefixing purposes, only the historical depreciated value of the system will be recognized.

This order becomes effective 30 days from today.

Dated SEP 15 1981, at San Francisco, California.

John E. Guyon  
President  
Richard C. Starnes  
Francis J. Van  
Robert C. ...  
Commissioners