

ORIGINAL

Decision 93595 OCT 6 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of NORTH LOS ALTOS)
WATER COMPANY for an Order)
Approving the Disposition of its)
Water System and Authorizing)
Applicant to Withdraw from Public)
Service.)

Application 60687
(Filed June 26, 1981)

O P I N I O N

North Los Altos Water Company (Water Company), a California corporation, requests authority to sell its water system to Los Altos Community Facilities District No. 1 (District), and to be relieved of all public utility obligations in connection with its water system service area.

In 1977 District filed a complaint in eminent domain against Water Company; a jury trial arrived at a determination of just compensation in the amount of \$2,120,000; District moved for a new trial and the motion was granted; Water Company appealed the granting of the motion and that appeal is currently pending. On May 26, 1981 Water Company and District executed a purchase and sale agreement for the sale of that Water Company's system, in lieu of condemnation. The agreement is attached to the application as Exhibit A. The agreed price for the assets of Water Company is \$2,070,000. The parties agree that District will assume all of Water Company's obligations to serve water to all customers in the service area without discrimination and will make refunds of advances as and when required under existing main and extension agreements. Customer advances for construction as of February 28, 1981 amounted to \$97,562.96 and are listed in Exhibit B

attached to the application. Water Company's 1980 Annual Report on file with the Commission shows as of December 31, 1980 total utility plant of \$1,535,762 and accumulated depreciation reserve of \$510,761, for a net utility plant of \$1,025,001.

Related to this matter is Application (A.)60807, where the California Water Service Company (CWS) requests us to authorize it to serve water to the customers of Water Company after District consummates the takeover (the subject of this application). Briefly, CWS would enter a long-term lease arrangement with District for CWS to furnish water service to District's customers at the rates CWS applies to the surrounding territory (the CWS Los Altos-Suburban District) plus a special surcharge. Thereafter, CWS contemplates this Commission would approve its rates for serving District's customers. We are allowing until June 1, 1982 for Water Company to transfer to District because we are still analyzing the legal rate-making issues posed by A.60807; we will act on that related application as soon as possible.

We note, however, preliminarily, that if District entered a service contract for CWS to maintain and perform operational activity for District, with District setting the rates for its customers at a level to enable it to operate, no authorization from this Commission would be required. It would simply be a business arrangement between CWS' management and District; and, of course, this Commission would not be regulating the rates and service for District's customers and/or electorate.

Filing of this application was noticed in the Commission's Daily Calendar of June 30, 1981. No protests or comments on the matter have been received. A public hearing in this matter is not necessary. The following order should be effective the date of signature in that it will expedite the District's takeover of the system.

Finding of Fact

Transfer of the water system of Water Company to District is not adverse to the public interest.

Conclusions of Law

1. Sale of Water Company system to District as proposed in the application should be authorized.
2. Water Company should refund any customer credit deposits which are subject to refund and District should assume liability for refunds of construction advances.

O R D E R

IT IS ORDERED that:

1. On or before June 1, 1982 North Los Altos Water Company may transfer the water system referred to in the application to Los Altos Community Facilities District No. 1, according to the terms in the application.
2. On or before the date of transfer, seller shall refund any customer credit deposits which are subject to refund.
3. Buyer shall assume any liability for refunds of main extension advances.

4. Within 10 days after transfer, seller shall write the Commission stating dates of transfer and deposit refunds, and date when buyer began operating the water system. A copy of the transfer documents shall be attached.

5. Upon compliance with this order, seller shall be relieved of its public utility obligation to the transferred system.

This order is effective today. ✓

Dated October 6, 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

I certify that this decision was approved by the above Commissioners today.

John E. Bryson
