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Decision 97-08-026 August 1, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Tulare County Water Company, Inc. (U 275 W), a corporation, and California Water Service Company (U 60 W), a corporation, for an order authorizing (1) the sale and transfer of California Water Service Company of the "Tract 345 Water System" of Tulare County Water Company, (2) the discontinuance of service by Tulare County Water Company in the Tract 345 territory 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 Visalia District of the California Water Service Company.

ORIGINAL

Application 97-04-029
(Filed April 11, 1997)

O P I N I O N

Summary

In this decision we authorize the sale and transfer of Tulare Water Company, Inc.'s (seller) system and public utility properties to California Water Service Company (buyer) in accordance with an agreement between buyer and seller; the discontinuance by seller of public utility service in the territory served by the properties to be conveyed upon consummation of the sale and transfer; and the integration by buyer of the acquired system into its existing Visalia District and furnishing of water service to each customer of the territory at the then-effective rates and in accordance with the then-effective rules of buyer's Visalia District. Consummation of this transaction will result in a 2.8% decrease in rates for a metered customer with a 5/8 x 3/4-inch meter using 30 hundred cubic feet per month, and a 3.5% decrease in the rates for a flat rate customer with a lot of 6,000 square feet or less.

Background

Buyer is presently engaged in the business of the supply and distribution of water for domestic and industrial purposes in many localities in the State of California,

including the City of Visalia and surrounding unincorporated territory in the County of Tulare. Seller is presently engaged as a public utility in the business of the supply and distribution of water for domestic purposes in the County of Tulare. The territory served by seller's Tract 345 Water System is entirely surrounded by buyer's service territory in Tulare County. Buyer's Visalia District Water System also includes mains which provide fire protection to seller's service area.

As set forth in the Agreement of Sale between buyer and seller executed on November 11, 1996, seller and buyer have reached an agreement, subject to Commission approval, for the sale to buyer of all properties, franchises, operative rights, and assets (except accounts receivable, unbilled revenues, cash, and refundable deposits made by customers) comprising seller's Tract 345 Water System, for a cash price of \$14,000. Seller will assume all obligations with respect to refundable deposits, if any, made by customers to guarantee payment of bills. On April 11, 1997, the parties applied to the Commission for approval of the transaction pursuant to Public Utilities Code § 851.

No protest has been filed in response to the application. Commission staff has encouraged seller to sell this system. By letter dated May 28, 1997, the Commission's Large Water Branch (LWB) reported to the assigned Administrative Law Judge (ALJ) that it had investigated the application and supports the transaction which, it believes, would be in the public interest and would benefit the ratepayers of both buyer and seller. LWB recommends that language be included in our order specifying that buyer only be permitted to place \$14,000 on its books in relation to this acquisition, consistent with the usual practice of this Commission to set rate base at the lesser of depreciated rate base (average net plant investment) or sale price. In this instance, the average net plant investment is \$34,929. We will include the requested language in our order.

According to seller's billing records, seller was providing service to 64 customers in the Tract 345 Water System as of December 31, 1994, under its flat rate tariff schedule. Seller's water supply is obtained from one well. The distribution system consists of approximately 2,520 feet of 4" and 6" mains. Upon transfer, buyer proposes to integrate seller's Tract 345 Water System into its Visalia District for accounting and operational

purposes and to furnish service in the territory served at the rates and in accordance with the rules of buyer then effective in buyer's Visalia District. Seller's customers will benefit from the sale through the availability of buyer's operating, maintenance, engineering, water quality control, accounting, and billing departments. Additionally, the application states that buyer will make capital improvements which will physically connect the Tract 345 Water System to buyer's Visalia District Water System, which will improve the reliability of service to the Tract 345 Water System.

We find that the transaction is in the public interest, and that the sale price is reasonable. Accordingly, we will approve the application.

Findings of Fact

1. Seller is presently engaged in the business of supply and distribution of water for domestic purposes in the County of Tulare.

2. Buyer is presently engaged in the business of the supply and distribution of water for domestic and industrial purposes in many localities in the State of California, including the City of Visalia and surrounding unincorporated territory in the County of Tulare. Buyer's Visalia District completely surrounds seller's Tract 345 Water System.

3. Pursuant to the written Agreement of Sale dated November 11, 1996, buyer has agreed to buy, and seller has agreed to sell, all properties, franchise, operative rights, and assets (except accounts receivable, unbilled revenues, cash, and refundable deposits made by customers) comprising seller's Tract 345 Water System, for a cash price of \$14,000.

4. Seller's average net plant investment in the Tract 345 Water System is \$34,929.

5. Buyers has the necessary ability and resources to operate the Tract 345 Water System. If buyer buys the system, service and reliability of the system will improve.

6. The sale price is reasonable.

Conclusions of Law

1. Approving the application is in the public interest.

2. The Commission should grant the applicant's request for authority in accordance with the order.

O R D E R

IT IS ORDERED that:

1. Tulare County Water Company, Inc. (seller) is authorized to sell and transfer to California Water Service Company, Inc. (buyer) its system and public utility properties which are described in the Agreement of Sale by and between seller and buyer, dated November 11, 1996, in accordance with and at the price set forth therein. This authorization is effective for 30 days after the effective date of this order.
2. Seller is authorized to discontinue public utility service in the territory served by the properties to be conveyed upon the consummation of the sale and transfer to buyer of the public utility properties.
3. Buyer is authorized to integrate said water system acquired by its from seller into buyer's Visalia District for accounting and operational purposes, and to furnish water service to each customer within the area presently served by seller at the rates and in accordance with the rules of buyer in effect at the time of sale and transfer.
4. Seller shall assume all obligations with respect to refundable deposits, if any, made by customers to guarantee payment of bills, and for main extension advances, if any.
5. Within 10 days after the transfer, seller shall write to the Commission stating the dates of transfer and deposit refunds, if any, and the date when buyer began to operated the water system. A copy of the transfer documents shall be attached.
6. Upon compliance with this order, seller shall be relieved of its pubic utility obligation to the transferred system.
7. Buyer is authorized to place not more than \$14,000 on its books in relation to its acquisition of the system.

8. This order is effective immediately.

Application 97-04-029 is closed.

This order is effective today.

Dated August 1, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners