

WATER/RSK/FLC/PTL/AAS/jlj

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER AND AUDITS**

**Water & Sewer Advisory Branch**

**RESOLUTION NO. W-4723**

**November 21, 2008**

**RESOLUTION**

**(RES. W-4723) SAN GABRIEL VALLEY WATER COMPANY  
(SGVWC). ORDER AUTHORIZING SALE OF CERTAIN ASSETS  
TO CALIFORNIA DEPARTMENT OF TRANSPORTATION.**

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**SUMMARY**

SGVWC filed Advice Letter (AL) 364 on June 30, 2008 for permission to sell pipeline and right-of-way to the California Department of Transportation (CALTRANS). The Division of Water and Audits (Division) has investigated this request and recommends approval.

**BACKGROUND**

SGVWC is a Class A water utility. SGVWC notifies the Division of its pending sale of certain company-owned real property, recorded as a contribution-in-aid-of-construction, which is no longer necessary and useful in the performance of the company's public utility obligations. The sale of the real property is involuntary and arises from the threat or imminence of condemnation. The area of concern in this application is in Baldwin Park, Los Angeles County, California.

**NOTICE AND PROTESTS**

Notice of the sale was mailed on January 23, 2008. No protests were received.

**DISCUSSION**

By notice dated July 26, 2007, CALTRANS notified SGVWC of its intent to acquire by eminent domain certain real property consisting of: 1) A 12.5-foot wide strip of landscaped land comprised of 270.4 square meters along the frontage of the company's Plant B25 well site, known as 13032 Bess Avenue in the City of Baldwin Park, California; and 2) 1,900 lineal feet of 25-3/8-inch pipeline and pipeline right-of-way. CALTRANS is taking the property to widen the southerly portion of Interstate 10 Freeway.

The subject real property is no longer necessary or useful to SGVWC because it will be in the CALTRANS freeway right-of-way and as such, inaccessible to SGVWC. Therefore, the involuntary sale to CALTRANS will have no adverse effect on company operations.

The purchase and sale of assets agreement was drafted on April 1, 2008, between SGVWC and CALTRANS. The net book value is \$371,178 (the original cost of assets of \$412,439 - pipeline depreciation of \$41,261 = \$371,178). The proceeds to be paid for the assets are \$1,086,397 resulting in a gain of \$715,219 (\$1,086,397 - \$371,178).

While there was a necessity to conclude the sale because of the Notice of Eminent Domain, the parties reached an agreement which avoided that process.

As this transaction is valued at less than \$5 million, no action by SGVWC is required under Public Utilities Code Section 851.

However, this resolution must require SGVWC to provide the Division of Water and Audits and the Division of Ratepayer Advocates' Water Branch within 60 days of the effective date of this resolution with: a) the final contract to record the actual amounts; and b) evidence of a memorandum account recording the transactions between the parties involved and disposition of the funds.

Since Public Utilities Code Section 851 does not apply, guidance for this activity comes from Decision (D.) 06-05-041 dated May 25, 2006 - Opinion Regarding Allocation of Gains on Sale of Utility Assets - and D.07-09-021 dated September 6, 2007 - Issues Not Resolved in D.06-05-041, which provides guidance to assure compliance with Public Utilities Code Section 790.

Ordering Paragraph 16 of D.06-05-041 states that:

"These proceeds may not be used to reduce rates or otherwise be returned to ratepayers unless the water companies fail to reinvest the proceeds within the eight year period."

Also, D.06-05-041 Ordering Paragraph 17 states that water utilities shall:

".....establish a memorandum account in which to record net proceeds from all sales of no longer needed utility property,  
Use the memorandum account fund as the utility's primary source of capital for investment in utility infrastructure,

Invest all amounts recorded in the memorandum account within eight years of the calendar year in which the net proceeds were realized.”

**COMMENTS**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code § 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**FINDINGS**

1. The sale of SGVWC property described in AL 364 to CALTRANS is desired by all parties.
2. The Division has determined that the purchase price of \$1,086,397 is fair market value, as required by Public Utilities Code §2720, and is considered just and reasonable.
3. A final bill of sale must be provided to the Division of Water and Audits and the Division of Ratepayer Advocates’ Water Branch within 60 days of the effective date of this resolution.
4. SGVWC must establish a memorandum account to record this transaction and provide evidence of same as well as the actual journal entry recording the transaction.
5. This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code § 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**THEREFORE IT IS ORDERED THAT:**

1. The application of San Gabriel Valley Water Company to sell certain assets to California Department of Transportation is granted.
2. A final bill of sale between San Gabriel Valley Water Company and California Department of Transportation shall be provided to the Division of Water and Audits and the Division of Ratepayer Advocates’ Water Branch within 60 days of the effective date of this resolution.
3. San Gabriel Valley Water Company shall establish a memorandum account to record this transaction and provide evidence of same as well as the actual journal entry recording the transaction within 60 days of the effective date of this resolution.

4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California on November 21, 2008; with the following Commissioner voting favorably thereon:

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PAUL CLANON  
Executive Director