

#26

5/23/66

First Supplement to Memorandum 66-20

Subject: Study 26 - Escheat

Attached to this memorandum as Exhibit I (pink paper) is a letter from the Chief Counsel of the Public Utilities Commission of California. The letter is in response to an inquiry we made concerning the purpose of the exclusion of utilities from the operation of the abandoned property statute.

The letter indicates that utilities were excluded from the abandoned property statute because the Legislature believed that the Public Utilities Commission could deal with the problem of unclaimed deposits and unrefundable balances of rates in excess of tariff rates. If this was the purpose of the amendment, it is apparent that subdivision (h) of Section 1501 was seriously defective. In the first place, subdivision (h) does not apply to transportation utilities. It applies only to communications utilities or utilities that deal with electricity, water, steam or gas. Hence, unused transportation tickets and excessive receipts charged for the sale of transportation tickets are not excluded from the operation of the chapter. Moreover, corporate shares and dividends and bond obligations are excluded from the escheat chapter although it seems likely that the amendment was not intended to reach these.

To effectuate the original purpose, we recommend the amendment of subdivision (h) of Section 1501 as follows:

(h) "Utility" means ~~any person who owns or operates within this State, for public use, any plant, equipment, property, franchise, or license for the transmission of communications or the production,~~

storage,--transmission,--sale,--delivery,--or-furnishing-of-electricity,
water,--steam,--or-gas, a public utility subject to the jurisdiction,
control, and regulation of the Public Utilities Commission of this
state.

Subdivision (d) of Section 1582 (proposed) should then be revised as follows:

(d) Any property paid or delivered to a utility as a deposit to guarantee payment for services or as a payment for service, which the utility, in accordance with the orders and regulations of the Public Utilities Commission of this state, is not entitled to retain in payment for the services provided by the utility.

Respectfully submitted,

Joseph B. Harvey
Assistant Executive Secretary

First Supp.
Memorandum 66-20

COMMISSIONERS
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Public Utilities Commission
STATE OF CALIFORNIA

ADDRESS ALL COMMUNICATIONS
TO THE COMMISSION

FILE NO.

CALIFORNIA STATE BUILDING
SAN FRANCISCO, CALIF. 94102

May 19, 1966

Joseph B. Harvey
Assistant Executive Secretary
California Law Revision Commission
Room 30, Crothers Hall
Stanford, California 94305

Dear Mr. Harvey:

In a recent letter you asked why utilities were exempted from the escheat provisions of CCP 1501. Looking back through our records, I find that in 1958 a former Chief Counsel appeared before the Assembly Interim Committee on Judiciary on the subject of escheat of unclaimed deposits in the hands of public utilities. At that time apparently there were varying rules with regard to accounting for unclaimed deposits, particularly those required of customers to secure credit. As a result of his appearance, utilities now are required to credit unclaimed deposits to a reserve for uncollectibles account, if such an account is maintained, otherwise the credit is to a bad debt expense account.

At the same time the Judiciary Committee inquired what unclaimed funds (presumably other than deposits) might be available for escheat to the State. The then Chief Counsel mentioned unrefundable balances of rates in excess of tariff rates; unused transportation tickets, and unreturnable charges collected subject to refund if a decision of the Commission should be reversed. The Committee may have been satisfied that as in the case of unclaimed deposits the Commission would take care of the problem.

I have inquired as to unclaimed dividends. Apparently the companies have various rules. Every effort is bent toward finding the stockholder. Some dividends have been retained as long as twenty years in a separate bank account while efforts at locating the payee continue to be made.

Joseph B. Harvey
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Eventually, I am told, these sums, very minor in amount, which represent a division of surplus find their way back to the surplus account.

If I can give you any further information, please advise.

Very truly yours,

Mary Moran Pajalich

Mary Moran Pajalich
Chief Counsel