

ORIGINALDecision No. 72564

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the joint appli-)
 cation of CHESTER L. BELTZ, doing)
 business as the BELTZ WATER SYSTEM,)
 a sole proprietorship, and the)
 CITY OF SANTA CRUZ, California, a)
 municipal corporation, for an order)
 authorizing Beltz to sell to City)
 the water system owned and operated)
 by Beltz.)

Application No.49322
 Filed April 28, 1967

O P I N I O N

Chester L. Beltz (seller), doing business as Beltz Water System, seeks authority to transfer his water system to the City of Santa Cruz (buyer) and to discontinue service. Buyer joins in the application.

Seller's annual report to this Commission for the year 1966 shows that seller serves about 1,500 customers. The service area includes the unincorporated areas known as Pleasure Point and Breakers Beach, near Santa Cruz and Capitola, Santa Cruz County, on the north shore of Monterey Bay. Exhibit E, a map showing the territory served by seller and a portion of the territory served by buyer, shows that seller's territory is adjacent to that already served by buyer.

Buyer provides water service to about 14,000 customers, including over 3,000 who are outside the city limits. Seller's water system can be operated in conjunction with, and as an integral part of, buyer's present facilities. Buyer agrees to serve all of seller's present area as delineated on seller's filed tariff service area map.

On March 28, 1967, seller and buyer entered into an agreement, a copy of which is attached to the application as Exhibit B, providing for the sale of the water system. The agreed purchase price is \$245,000, with adjustments for changes in plant subsequent to January 1, 1967 and for accounts receivable. A cash payment of \$100,000 will be paid on the closing date by buyer from funds it has on hand. The remaining portion of the purchase price is payable in eight quarterly installments of \$18,125 plus interest at 6 percent per year on the declining unpaid balance. The source of funds for the annual installments is to be the revenues from buyer's operation of the system. Buyer also agrees to take over seller's obligation to refund outstanding advances for construction.

As of December 31, 1966, seller's net investment in facilities was:

<u>Item</u>	<u>Amount</u>
Gross Plant	\$327,444
Deductions:	
Depreciation Reserve	102,436
Advances for Construction	21,154
Contributions in Aid of Construction	1,968
Net Investment	201,886

Seller has only about \$690 of customers' deposits for establishment of credit. Seller proposes to refund these prior to the transfer.

System Improvements

Decision No. 70050, dated December 7, 1965, in Application No. 47282, of which we take official notice, shows that seller has long had a difficult problem with excessive manganese and iron in the local well supplies. Seller has been unable to finance the rather large investment required for installation of treatment

plants. Buyer will utilize its own sources of supply of good quality water and will retain seller's present supplies as emergency standby sources until such time as local treatment plants are feasible.

Buyer intends to integrate its distribution system with that of seller, thereby making higher pressures and greater rates of flow available to seller's present customers. As the integration progresses, buyer will flush the mains thoroughly to remove accumulated iron deposits.

Rates

Seller's present rates were established in 1966. They result in a monthly charge of \$5.45 for the average monthly amount of 1,500 cubic feet used by seller's customers. Buyer's established rates for this average consumption result in a monthly charge of \$7.50, an increase of about 38 percent.

Buyer alleges that the rates it charges are based upon studies made from time to time by its water department, reflecting actual costs of operation and maintenance, and capital investment. Rates in the unincorporated area served are about 35 percent higher than within the city limits, in recognition of the investment in water facilities made by city residents through bonded indebtedness.

Finding and Conclusion

The Commission finds that the proposed transfer is not adverse to the public interest.

The Commission concludes that the transfer should be authorized ex parte, subject to the conditions of the order which follows.

The authorization herein granted does not constitute a finding as to the value of the properties herein authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Chester L. Beltz (seller) may transfer to the City of Santa Cruz (buyer) the public utility water system serving Pleasure Point, Breakers Beach and vicinity, Santa Cruz County, substantially in accordance with the terms of the agreement, Exhibit B attached to the application.
2. On or before the date of actual transfer, seller shall return to customers any refundable deposits made to establish credit.
3. Within ten days after the date of actual transfer, seller shall file in this proceeding written notification of the refunding of all deposits, the date of transfer, and the date upon which buyer shall have assumed operation of the water system authorized herein to be transferred. A true copy of the instrument or instruments of transfer shall be attached to the written notification.
4. Upon compliance with the conditions of this order, seller shall stand relieved of all of his public utility obligations in the area served by the transferred system, except for the filing of a final annual report to this Commission, and may discontinue service concurrently with the commencement of service by buyer.
5. Consummation of the transfer authorized herein shall constitute a stipulation by buyer that:

- a. Buyer will be subject to all legal claims for water service which might have been enforced against seller, including such claims as may exist in territory outside of buyer's corporate limits.
- b. As to the rates, rules and conditions of service which buyer will apply in the service area of the system herein authorized to be transferred, it will not discriminate between service rendered outside its corporate limits and service rendered inside said limits, except insofar as it may adjust such outside rates and charges to offset any reasonable tax burden sustained by water users within the city in subsidizing the operation of the water system, or in recognition of the investment in water facilities benefiting outside customers, made by city residents through bonded indebtedness or with other city funds.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 6th day of JUNE, 1967.

[Signature]
President
[Signature]
[Signature]
William Seymour Jr
[Signature]
Commissioners