

Decision No. 76350

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application  
of ROLLING WOODS UTILITIES, INC., a  
corporation, and the CITY OF SANTA  
CRUZ, a Municipal Corporation, for an  
Order Authorizing said corporation to  
sell to City the Water System owned  
and operated by said corporation.

Application No. 51282  
(Filed July 30, 1969)

O P I N I O N

Applicants request an order authorizing Rolling Woods Utilities, Incorporated (Corporation) to sell and the City of Santa Cruz (City) to buy all of the public utility water system owned and operated by the Corporation in the Rolling Woods tracts, located east of Graham Hill Road in presently unincorporated territory north of the City.

The transfer agreement, dated July 28, 1969 (Application, Exhibit B) recites a total sale price of \$33,250, based on \$250 per service for 133 services as of the date of the agreement (to be adjusted to actual services as of close of escrow), payable \$5,000 in cash on close of escrow and the balance in annual installments of \$3,000 or more plus 7-1/2% interest per annum on the unpaid principal balance. All payments, except the initial and any pro-rated payments at close of escrow, are to be made solely from gross revenues collected from water sales to customers within seller's service area as it exists at close of escrow. The City has agreed to set aside and pledge to seller such moneys as a special fund for payment of amounts due under the agreement.

Applicants allege that increased demands for water service require substantial expansion and improvement in both the Corporation and City water systems, and that the Corporation is not in a position to finance an expansion program out of current resources; that the City has the ability to finance improvements necessary to serve its water customers in both systems, and that City ownership and operation of the Corporation's system, with proposed improvements by the City, will both simplify operation procedures and better the water quality and quantity.

The City proposes to apply its Service Area "B" rates to water service rendered to its customers in the presently unincorporated Rolling Woods service area, which is located within that rate area of the City's system. Existing rate schedules of the Corporation and the City appear as Exhibits H<sup>1/</sup> and I, respectively, of the application. A comparison of present minimum metered monthly residential rates and charges of the two systems is shown below:

|  | <u>Per Month</u> |
|--|------------------|
| <u>Rolling Woods Utilities, Incorporated</u>       |                  |
| 5/8 x 3/4-inch meter, 1st 600 cu.ft. or less ..... | \$5.00           |
| <u>City of Santa Cruz</u> <sup>2/</sup>            |                  |
| 5/8-inch meter, minimum of 500 cu.ft. or less      |                  |
| Inside City .....                                  | 2.30             |
| Outside City:                                      |                  |
| Service Area "A" .....                             | 3.10             |
| Service Area "B" .....                             | 4.60             |
| Branciforte Drive .....                            | 4.00             |

1/ By Advice Letter No. 5 on July 10, 1969 the utility requested authority to increase rates. By Commission Resolution No. 1177 dated August 5, 1969 metered rates were authorized to be increased to the \$5 shown above. All customers have been furnished service at flat rates which were increased from \$4.50 per month for premises not exceeding 9,000 square feet in area to \$7.50 for premises not exceeding 12,000 square feet.

2/ The City also has a schedule applicable, among others, to Service Area "B" for irrigation use only, with a minimum monthly charge through 5/8-inch meters (no water included) of \$2.50.

Applicants allege that the City's water rates are designed to return adequate revenue for operation of its entire system, with provision for debt service, depreciation and normal capital expenditures. In consequence, rates are set at higher levels in unincorporated areas of the system in order to offset tax and debt burdens sustained by city residents in making the City's water service available to outside customers.

The Commission, in a recent proceeding involving the sale to the City of another water utility also situated in the City's Service Area "B", of which we here take official notice (John Pestana Water Company, Decision No. 76321, dated October 21, 1969, Application No. 51222), accepted and included in its order (made after a hearing) as a condition of the transfer authorization, a stipulation by the City designed to afford customers of Pestana's system reasonable protection as to rates and service after completion of the transfer and while their premises remained outside the corporate limits of the City. We see no reason for not including a like condition in the order here, as the proceedings, except for agreed terms of payment of the purchase price and details of integrating the two systems with the City's system, are essentially alike.

Applicants allege that there are no main extension contracts on which to assume obligations, and that the Corporation will refund all customer security deposits, if any, prior to transfer of ownership to the City and will also pay all obligations of its water system to date of transfer. No opposition to the proposed transfer has been manifested.

After consideration, the Commission finds and concludes that the proposed transfer would not be adverse to the public interest and that it should be granted in accordance with the ensuing order.

A public hearing is not necessary.

O R D E R

IT IS HEREBY ORDERED that:

1. Rolling Woods Utilities, Incorporated (seller), after the effective date of this order, may carry out the terms and conditions of its agreement with the City of Santa Cruz (buyer) (Application, Exhibit B) for the sale to and purchase and operation by buyer of the public utility properties described therein.

2. Seller, within thirty days after consummation of the sale herein authorized, shall transmit to the Commission two copies of the instrument or instruments of sale, as executed.

3. Upon completion of the sale herein authorized and upon compliance with all the terms and conditions of this order, the certificate of public convenience and necessity heretofore issued to seller pursuant to Decision No. 65170, dated April 2, 1963, in Application No. 44856 shall be revoked, and all tariff schedules of seller on file with the Commission, relating to water service in the Rolling Hills tracts, shall concurrently be canceled. Thereafter, said Rolling Woods Utilities, Incorporated shall be relieved of its public utility obligations in connection with the utility system herein authorized to be transferred.

4. Upon consummation of the transfer authorized herein and as conditions thereof, buyer, the City of Santa Cruz, shall 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. 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, buyer shall not make any distinction 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. Should any of the present water users, their heirs, successors, grantees or assigns, at any time have their lands annexed into the City of Santa Cruz, California, then these conditions shall be null and void, as to such water users, their heirs, successors, grantees or assigns.

Applicants having alleged that they are ready to perform their agreement upon authorization thereof and are desirous of consummating said agreement as soon as possible, and no objection having been manifested to the proposed sale, IT IS FURTHER ORDERED that the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 28th day of OCTOBER, 1969.

William J. Lyons  
President  
August  
William  
Thomas  
Vernon L. Sturgeon  
Commissioners