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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Cuyama Valley Community, Inc.)
 (U-315-W and U-315-5) and Cuyama)
 Community Services District for an)
 order authorizing transfer of all)
 the stock, including the assets, of)
 Cuyama Valley Community, Inc. to)
 Cuyama Community Services District.)

Application 88-067014
 (Filed June 10, 1988)

ORIGINAL

OPINION

Cuyama Valley Community Services District (District) seeks authority to acquire control of Cuyama Valley Community, Inc. (Utility), a public utility water corporation by the purchase of all of Utility's outstanding shares of capital stock from Rehoboth Farms, Ltd. (Rehoboth). The result would be the acquisition of Utility's assets by District.

Notice of the filing of the application was mailed to each utility customer on July 2, 1988. There are no protests. The Water Utilities Branch (Branch) recently prepared a report on the application which was served on all parties. It is designated as Exhibit 1.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Utility is a California corporation which owns and operates a water corporation as defined in Public Utilities (PU) Code § 241 and a sewer system corporation as defined in PU Code § 230.6. Utility was organized and incorporated by the Richfield Oil Corporation, now Atlantic Richfield Company (ARCO), under articles of incorporation filed on April 17, 1950. It was established for

the purpose of owning, controlling, operating, and maintaining the sewage system that served the town site of New Cuyama. Originally, Utility did not own any water facilities. All outstanding shares of its stock were owned by ARCO until January 26, 1973, at which time the stock was sold and transferred by ARCO, without first obtaining Commission approval, to an organization known as Foundation for Airborne Relief (FAR). In addition to purchasing the sewage system from ARCO, FAR also purchased land and improvements in the town site, as well as the water system which included the well sites, water pumping and water storage facilities. Unauthorized activities continued, however, and the Estado Home Loan Company (Estado), a California corporation, foreclosed on a loan to FAR and received title to its physical assets, real property, water well sites, water pumping equipment, and water storage facilities at New Cuyama. At no time did Estado own any stock or the physical properties of the sewer facilities.

3. Because of the continuing transactions in which various utility properties were encumbered without Commission knowledge or approval, the Commission opened Case 9661 entitled "Investigation on the Commission's Own Motion into the Status, Facilities, Practices, etc. of Cuyama Valley Community Inc., et al., Water System" on February 13, 1974.

4. In Decision (D.) 85383, dated January 27, 1976, the Commission found that Estado had acquired the Utility's property on May 30, 1975 through a foreclosure sale on FAR's note to Estado in the amount of \$55,000. It was also found that as of June 1, 1975, Estado took over the operation of both the water and the sewer operations of Utility including the billing, collection of charges for service, and payment of Utility's bills. D.85383 found Estado to be a public utility and ordered that it not sell, lease, sign, merge, consolidate, mortgage, transfer, or otherwise dispose of or encumber any part of its water system or sewer system necessary or useful in performance of its duties to the public without having first secured the order of the Commission authorizing it to do so. Estado was ordered to continue maintenance and operation of both

the water system and the sewer system at New Cuyama, although Estado did not own the sewer system. Thereafter, Rehoboth acquired all of Utility's outstanding capital stock and ownership and control of Utility including the water and sewer systems.

5. Utility's service area consists of 332.5 acres which include the water and sewer systems. The area is roughly a one-half square mile rectangle along the southerly side of State Highway 166 about 60 miles east of Santa Maria. The terrain is flat with a slight westerly slope. The developed area is subdivided into about 250 lots and includes a high school which gets its domestic water from the system but has its own well for irrigation water.

6. Utility's water system consists of supply facilities (tanks and pumps) which are located at the high (easterly) end of the town site. The system obtains its water entirely from wells. Potable water is provided by a 16-inch well 790 feet deep equipped with a 150 horsepower deep well turbine pump that produces approximately 750 gallons per minute (gpm). This well, now designated as Rehoboth Well #1, located about 3/4 mile south of the town site, is about 10 years old. It was extensively reworked in April 1988 at a cost of approximately \$30,000. The well that had previously served the system, now referred to as the Agricultural Well, is also a 16-inch well equipped with a 150 horsepower pump. It can be reconnected upon short notice to provide non-potable water for emergency situations such as during the recent overhaul of Rehoboth #1.

The system has five storage tanks with a total capacity of about 360,000 gallons. Four of these (80,000 gallons each) are serially connected with the well so that sand will settle out before water passes into the distribution system. The fifth tank is an elevated 40,000-gallon sphere at a height of 100 feet to provide a constant pressure in excess of 40 psi to the distribution system. The distribution system is composed of more than 25,000 feet of mains varying in size from 3 to 8 inches in diameter equipped with 28 fire hydrants currently serving approximately 200

residences and 40 commercial establishments. Service pipes are 1-inch copper tubing. The systems' three 25-horsepower booster pumps, a 25-horsepower gasoline powered 600 gpm emergency booster pump and chlorinator are enclosed in an 800-square-foot building on a quarter-acre of water utility property, which, along with pipeline, well and access easements along with several items of office equipment constitute the assets of the system. ✓

The Santa Barbara office of the State Department of Health Services (DHS) has indicated that water produced by Rehoboth Well #1 meets current minimum quality standards. DHS has ordered, however, that no new hookups be provided until an engineering study shows that the supply is sufficient for a specific number of additional customers or until another well producing water of acceptable quality is provided.

7. The sewer system has a treatment facility which consists of one 22-foot diameter aerator tank, one 22-foot clarifier tank, and one 200-foot diameter digester tank, along with chlorinating equipment, storage tanks and pumps and a 960-square-foot building. Sludge is dried in ponds. Its collection system has in excess of 18,000 feet of vitreous clay pipe from 4 to 12 inches in diameter. These facilities are located within a right-of-way upon private property that is granted to Utility. All easements required for operation of both the sewer and water systems are specifically provided for in the document entitled Grant of Easement and the associated Assignment of Grant of Easement both of which were executed on May 11, 1988.

8. Rehoboth is a Colorado Limited Partnership, doing business in California, and owns all the issued and outstanding stock of Utility.

9. District is a California Public Agency, formed under Section 30000, et seq. of the Water Code and is vested with the authority to provide domestic water and sewer service in and around New Cuyama, and with the authority to exercise the power of eminent domain. Its boundaries encompass the present service areas of Utility's water and sewer systems. District currently has

\$1,700,000 in certificates of deposit. District was initially funded from the proceeds of a promissory note assigned to it by ARCO. The amount of the note was \$625,000 plus interest which was approximately an additional \$200,000 at the time the note was assigned. Thereafter, the obligor, Estado, made an initial \$500,000 payment on the note and subsequent payments of \$100,000 per year until the principal and interest were paid in full--on December 6, 1982. The note was dated December 31, 1972 and recorded on February 22, 1978.

10. Two entities were created by Rehoboth to facilitate the proposed transaction: Future Cities/Villages International, Inc. (FCVI), a California corporation, and Operation Enterprise, Inc. (OpEnt), a California corporation, which holds title to property in New Cuyama upon which certain of the water and sewer system facilities are located or where access or other easements will be needed as the community grows.

11. The parties have entered into agreements, attached to the application as Exhibits D-1 and D-2, in which District agrees to acquire all of Utility's stock and assets for \$335,000.

12. As of December 31, 1987, Utility's depreciated rate base was \$264,140.

13. District has the ability, including financial ability, to acquire Utility and continue service to Utility's customers.

14. Paragraphs IX and X of the application include the following:

"The District specifically represents and warrants to the Commission that it will continue to provide water and sewer service within CVCI's [Utility's] present service area. The District will provide such water and sewer service subject to the rules and regulations adopted by the District for its operation, at the rates currently charged by CVCI.

"As of this date, CVCI [Utility] warrants that there are no customer advances and that customer deposits subject to refund will be returned to the customers upon dissolution of CVCI."

15. PU Code § 431 directs the Commission to fix an annual fee to be paid to the Commission by each regulated water and sewer system and that fee for 1988 has been set at 1.5% of all water and sewer revenues collected by each water and sewer utility for the year. It is reasonable to require the payment of such fees as may be owing as a condition of transfer.

16. Because the public interest would best be served by having the sale and transfer of control and assets take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusion of Law

The application should be granted.

This authorization is not a finding of the value of the rights and properties to be transferred.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order Rehoboth Farms, Ltd. (Rehoboth), Future Cities/Villages International, Inc. (FCVI) and Operation Enterprises, Inc. (OpEnt) may sell and transfer all of the common stock and other assets of Cuyama Valley Community, Inc. (Utility) to Cuyama Community Services District (District) in accordance with the terms set forth in the application.

2. As a condition of this grant of authority, prior to the transfer, Utility shall refund any customer deposits which it may be holding.

3. Within 10 days after transfer, Utility shall write the Commission, stating the date of transfer and the date the requirements of Paragraph 2 were completed.

4. Within 30 days of the sale and transfer of the stocks and assets of Utility to District, District shall notify the Commission in writing of that fact and within such period shall file with the

Commission a true copy of each instrument by which such transaction has been accomplished including an inventory of assets transferred.

5. Upon compliance with all of the conditions of this order, including the payment of all fees due under PU Code §431 to the date of transfer, Utility, Rehoboth, FCVI, and OpEnt shall stand relieved of their public utility obligations and may discontinue service concurrent with the commencement of service by District as contemplated in the agreement between the parties.

6. The authority granted in Ordering Paragraph 1 shall expire on June 30, 1989, if it has not been exercised by that date.

This order is effective today.

Dated NOV 9 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Usher Weisner

Usher Weisner, Executive Director

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