

Mailed

SEP 9 1991

Decision 91-09-021 September 6, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Fitch Mountain Water )  
 Company, Inc. to sell, and Sonoma )  
 County Service Area No. 24 (Fitch )  
 Mountain) to buy, the water system )  
 in Sonoma County. )

**ORIGINAL**  
 Application 91-08-036  
 (Filed June 18, 1991)

OPINION

Fitch Mountain Water Company, Inc. (seller), a California corporation, and Sonoma County Service Area No. 24 (buyer), jointly request authority to transfer the water system known as Fitch Mountain Water System to buyer. Buyer is a division of the County of Sonoma which has acquired Fitch Mountain Water System by proceedings in eminent domain. Buyer is currently operating the water system.

Seller was granted a certificate of public convenience and necessity by Decision (D.) 85215 dated December 9, 1975 in Application 55906. The service area is in or near the community of Healdsburg, and the system serves about 327 customers.

Seller was required to dispose of the system because buyer initiated condemnation proceedings in order to enable it to receive grants and low-interest loans to improve the system. Buyer is operating the system through its Department of Public Works which currently operates nine wastewater treatment plants as well. The system needs modification and repair to bring it up to the standards of General Order 103 at an estimated cost of \$2,500,000.

Applicants warrant that there are no customer deposits to establish credit nor any main extension advances. The customers are aware of the transfer, as buyer has been operating this system for an extended period of time.

On July 8, 1991, the Water Utilities Branch of the Commission Advisory and Compliance Division filed its Advice of Participation, stating:

"The Water Utilities Branch has reviewed the application and supports this transfer as being in the best interest of all concerned. We are aware that Fitch Mountain Water Company has had severe water supply problems due to old and deteriorated water system. [sic] Because, [sic] the previous owners did not have the financial resources to make the necessary improvements, the County of Sonoma has already taken over this water system by eminent domain. We believe that the County has the ability to secure the necessary financial resources to upgrade the water system. Therefore, the Branch recommends that this application be approved as soon as possible."

The entire Fitch Mountain Water System, as described in the application and in the utility's annual report to the Commission, is being acquired by buyer. A settlement agreement filed in the Sonoma County Superior Court, copy attached to the application, shows that buyer has agreed to pay seller a total purchase price of \$137,500.00. Seller's net book cost is approximately \$17,307.00.

There is a gain on sale which will accrue to seller's shareholders pursuant to D.89-07-016, this being a total liquidation of a utility to which its ratepayers have not contributed capital. Additionally, this transfer meets all of the criteria established in D.89-07-016. The sale (1) is to a public entity; (2) involves all of the utility's water facilities and rights; (3) includes all ratebase components; and (4) is concurrent with the utility's being relieved of, and the public agency assuming, the utility's obligations to its customers.

Findings of Fact

1. Buyer, a public entity, has acquired the entire Fitch Mountain Water System in condemnation proceedings and currently operates the system.
2. Buyer, the public entity, and seller, the corporation owning the water system, jointly applied for Commission approval of the sale.
3. There is a gain on the sale which will accrue to seller pursuant to the criteria established in D.89-07-016.
4. A public hearing is not required.
5. As this matter is not controversial, this order should be effective immediately.

Conclusion of Law

The application should be granted.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1991, Fitch Mountain Water Company, Inc. (seller) may transfer the water system referred to in the application to Sonoma County Service Area No. 24 (buyer), according to the terms in the application.
2. On or before the date of transfer, seller shall refund any customer credit deposits which are subject to refund.
3. Buyer shall assume any liability for refunds of main extension advances.
4. Within 10 days after transfer, seller shall write the Commission stating dates of transfer and deposit refunds, and date when buyer began operating the water system. A copy of the transfer documents shall be attached.

5. Upon compliance with this order, seller shall be relieved of its public utility obligation to the transferred system.

This order is effective today.

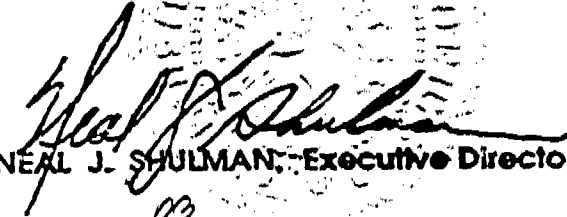
Dated September 6, 1991, at San Francisco, California.

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

I abstain.

/s/ G. MITCHELL WILK  
Commissioner

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

  
NEAL J. SHULMAN, Executive Director