

Mailed

MAR 11 1992

Decision 92-03-035 March 11, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Citizens  
 Utilities Company of California  
 (U 87 W) and Sweetwater Springs Water  
 District for an order authorizing  
 Citizens Utilities Company of  
 California to transfer and assign  
 its water service and related  
 facilities to Sweetwater Springs  
 Water District.

ORIGINAL

Application 91-09-040  
(Filed September 17, 1991)

O P I N I O N

Citizens Utilities Company of California (CUCG) and Sweetwater Springs Water District (Sweetwater) jointly request authority to transfer the water system and related facilities for CUCG's Guerneville water district service area to Sweetwater.

CUCG is applicant transferor. It is a corporation duly organized, existing, and authorized to do business under the laws of the State of California. CUCG is a wholly owned subsidiary of Citizens Utilities Company, a Delaware corporation. A certified copy of CUCG's current articles of incorporation is on file with the Commission in Application (A.) 59741.

Sweetwater is applicant transferee. It is a county water district formed and existing under California Water Code §§ 30000, et seq. The formation of Sweetwater was approved by the voters in November 1988 and confirmed by the Sonoma County Board of Supervisors in December 1988.

The property involved in the proposed transfer is CUCG's Class "B" public utility water system in the communities of Guerneville and Monte Rio and immediately adjacent areas in Sonoma County, serving approximately 3,350 metered customers. A map of the Guerneville service area and a copy of the purchase agreement providing for its transfer are attached to the application.

Sweetwater has expressed its intention to acquire CUCC's Guerneville water system, and, if necessary, Sweetwater is prepared to take title to the water system through condemnation proceedings, according to the application. Applicants state that the Commission's issuance of an order authorizing the proposed transfer will enable Sweetwater to acquire the water system through a more efficient purchase and sale transaction. Applicants state that such an order is in the public interest, since Sweetwater will assume all of CUCC's public utility obligations to serve customers within the acquired service area without discrimination, and CUCC will continue to make all refunds of advances as and when required under existing main extension agreements. CUCC proposes to refund to its customers any unused portion of the annual service charge collected pursuant to its tariffs, prorated to the closing date.

On September 17, 1991 the Water Utilities Branch (Branch), 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 the water system of Citizen's Guerneville district is very old and falling apart. Customers of this district are also unhappy about high water rates. We believe that the Sweetwater Springs Water District 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."

Branch prepared a notice to customers of the proposed sale and transfer which was mailed to each of CUCC's Guerneville district water users. Eight letters were received in response to the notice, and these letters, six of them inquiries only, were answered by applicants. Two customers questioning the ability of Sweetwater to manage the water system it proposed to acquire were advised that Sweetwater had hired a professional management

company, Russian River Utility, which had successfully managed the Russian River County Water District, Occidental Community Services District, and four county service areas during acquisition periods.

Copies of applicants' answers to concerned customers were sent to the Commission on January 13, 1992.

Resolution 58 of the Board of Directors of Sweetwater recites that on November 6, 1990, the voters authorized the issuance of \$12,000,000 principal amount of general obligation bonds to acquire and improve the Guerneville system. Applicants' purchase agreement recites consideration of \$6,500,000, plus minor additions, for the sale and transfer of the system. The documents reflect adequate funding for Sweetwater's acquisition and improvement of the Guerneville system.

There is a gain on sale which will accrue to CUCC's shareholders pursuant to Decision (D.) 89-07-016, this being a total liquidation of a utility district 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. Sweetwater, a county water district, and CUCC, a public utility under Commission jurisdiction, have agreed to the sale and transfer of CUCC's Guerneville water district to Sweetwater.

2. Sweetwater, a public utility, and CUCC, the corporation owning the water system, jointly apply for Commission approval of the transfer.

3. There is a gain on the sale which will accrue to CUCC 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.

ORDER

IT IS ORDERED that:

1. On or before June 30, 1992, Citizens Utilities Company of California (Cucc) may transfer the water system referred to in the application to Sweetwater Springs Water District (Sweetwater) according to the terms in the application.

2. On or before the date of transfer, Cucc will refund to its customers any unused portion of the annual service charge collected pursuant to its tariffs, prorated to the closing date provided for in the purchase agreement.

3. Cucc will pay all refunds pertaining to any main extension agreements as listed in the purchase agreement.

4. Within 10 days after transfer, Cucc shall inform the director of the Commission's Advisory and Compliance Division in writing of the dates of transfer and service charge refunds, and the date when Sweetwater began operating the water system. A copy of the transfer documents shall be attached to this written communication.

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

This order is effective today.

Dated March 11, 1992, at San Francisco, California.

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

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

  
NEAL J. SCHULMAN, Executive Director