

ALJ/rr /ks

ORIGINAL

Decision No. 91922 JUN 17 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MISSION HILLS)
COMMUNITY SERVICES DISTRICT)
for Authority to Acquire)
Operating Rights of Mission)
Hills Utility Company and)
Lompoc Utility Services;)
and for Orders Transferring)
said Utilities out of the)
Jurisdiction and Control of)
the Public Utilities)
Commission.)

Application No. 59559
(Filed March 31, 1980)

O P I N I O N

Applicant Mission Hills Community Services District (MHCS D), a duly constituted community services district organized under the laws of the State of California and in good standing, seeks an order from the Commission:

- a. Granting MHCS D immediate operating rights of Mission Hills Utility Company (excluding the Santa Ynez operation) and Lompoc Utility Services which now provide water and sewer services to the geographical area contained within the boundaries of the Community Services District;
- b. Directing Park Water Company (Park) to turn over to MHCS D all books, records, and funds pertaining to these two systems (excluding the Santa Ynez operation) and forthwith relinquish management and control of said systems to MHCS D;

- c. Declaring the systems above described to be free from utility status and no longer under the jurisdiction of the Public Utilities Commission;
- d. Approving the transfer of the property herein described from the County of Santa Barbara to MHCSD.

MHCSD requests that the Commission act on this application ex parte in order to complete and settle, once and for all, the issues of ownership and operational responsibility for these two utilities.

The application indicates that the Commission issued Decision No. 90359 on May 30, 1979 authorizing Park to manage and operate Mission Hills Utility Company and Lompoc Utility Services until further order due to an emergency condition which then existed.

Park has been operating the water systems and still continues to operate the systems pursuant to Decision No. 90359.

As further background, the application sets forth certain findings, conclusions, and ordering paragraphs from Decision No. 90596, dated July 31, 1979. The quoted segments indicate that: (1) the utility property owned by Mission Hills Water Company was deeded to the State of California for failure of Mission Hills Water Company and/or Mission Hills Utility Company to pay approximately \$55,000 in delinquent taxes; (2) the Commission found it would be in the public

interest for the public utility water system to be sold at a tax sale to a responsible utility; (3) the Commission will not, following the tax sale, authorize the transfer of the utility property and operating rights to Mission Hills Water Company, Mission Hills Utility Company, or any entity controlled in whole or in part by Anton Garnier; and (4) Park is authorized to continue to operate and manage the water system in accordance with the provisions of Decision No. 90359.

The application further indicates that:

- a. On November 19, 1979 an agreement was entered into between the Board of Supervisors of Santa Barbara County and the State Controller of the State of California wherein the property, title of which was held by Mission Hills Utility Company and/or Lompoc Utility Services, would be deeded to the County of Santa Barbara for delinquent taxes.
- b. On December 28, 1979, the State Controller of the State of California deeded the subject property to the County of Santa Barbara.
- c. On January 9, 1980, the directors of MHCS D approved an Agreement to Convey Tax Deeded Property by and between the Board of Supervisors of Santa Barbara County and MHCS D and on February 20, 1980, the County of Santa Barbara conveyed the subject property to MHCS D.
- d. MHCS D was formed on November 29, 1979. The first organizational meeting was held on December 4, 1979, and Walter B. Burnett was elected president. MHCS D has rented office space, hired a full-time secretary, and also hired Craig A. Nielsen to be manager.

- e. The County of Santa Barbara has granted MHCS D a dry period loan of \$75,000 to provide funds for organizational expenses and costs of operation pending approval of this application. The loan is for a period of two years subject to interest charges as determined by the Board of Supervisors for the County of Santa Barbara as the funds are requested and expended.

The application was duly noticed on the Commission calendar of April 2, 1980. No protest to the application has been received, although Park by letters dated May 21 and 23, 1980 has indicated that it would no longer be interested in operating the Santa Ynez system after it turns over operation of the Mission Hills and Lompoc systems to MHCS D. Park also indicates that it is willing to continue to operate the Mission Hills District for 90 days under an operation and maintenance contract with MHCS D to assure a smooth transition. Park also agreed that a final audit be made to determine that Park has recovered all of its expenses and if Park has recovered its expenses any remaining monies, if any, would be turned over to MHCS D. The letters from Park will be received as Exhibit No. 1.

MHCS D by letter dated May 23, 1980 indicates that it will be willing to assume maintenance and operational responsibility for the Rancho Estates (Santa Ynez) water system until the people in that area complete negotiations to take over the Santa Ynez properties. MHCS D indicates in its letter that such offer is made with the understanding that it cannot commit itself to any capital expenditures which potentially could be required for improvement or repair of the Santa Ynez system. MHCS D indicates that it does not believe the capital expenditure issue will become a problem in the immediate future as it believes that the Santa Ynez system is in excellent condition. MHCS D also indicates that it has pledged

its support to the homeowners in the Santa Ynez system who are presently pursuing the formation of a mutual water company or annexation to an existing community service district, to assist them in expediting the transfer of the facilities from the State of California and County of Santa Barbara. The letter from MHCS D will be received as Exhibit No. 2.

Findings of Fact

1. MHCS D was formed on November 29, 1979.
2. The public utility water and sewer system properties of Mission Hills Water Company and/or Mission Hills Utility Company were deeded to the State of California for failure to pay delinquent taxes of approximately \$55,000.
3. On December 23, 1979, the Controller of the State of California deeded the subject property, excluding the Santa Ynez system, to the County of Santa Barbara.
4. On January 9, 1980, the directors of MHCS D approved an Agreement to Convey Tax Deeded Property by and between the Board of Supervisors of Santa Barbara County and MHCS D and on February 20, 1980, the County of Santa Barbara conveyed the subject property to MHCS D.
5. Park is currently operating the subject water and sewer system pursuant to Decision No. 90359. However, Park is not interested in operating the Santa Ynez system once the transfer of the remaining properties to MHCS D is authorized by the Commission.
6. MHCS D is willing to operate and maintain the Santa Ynez system until the homeowners complete the formation of a mutual water company or annexation to an existing community services district.

7. MHCS D, however, cannot commit itself to any future capital expenditures which potentially could be required for the improvement or repair of the Santa Ynez system, but it does not consider such an issue to be a problem in the immediate future.

8. The proposed transfer of the public utility property of Mission Hills Utility Company (excluding the Santa Ynez system) and Lompoc Utility Services would not be adverse to the public interest.

9. It is reasonable to relieve Park of its responsibility under Decision No. 90359 to manage and operate Mission Hills Utility Company and Lompoc Utility Services.

10. It is reasonable to authorize MHCS D to operate the Santa Ynez system (Rancho Estates) until the homeowners complete the formation of a mutual water company or annex to an existing community services district.

11. The effective date of this order should be the date on which it is signed to expedite the proposed transfer.

On the basis of the foregoing findings we conclude that the transfer to MHCS D should be authorized. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. County of Santa Barbara may transfer the properties described in the application to the Mission Hills Community Services District.

2. Park Water Company is relieved of its obligation to manage and operate the Mission Hills Utility Company and Lompoc Utility Services as authorized in Decision No. 90359.

3. Mission Hills Community Services District is authorized to manage and operate the Santa Ynez system (Rancho Estates) until further order of this Commission.

4. Park Water Company shall turn over all books and records pertaining to the previously mentioned systems to Mission Hills Community Services District.

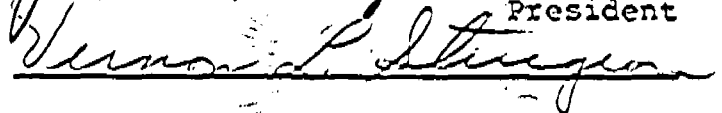
5. Any surplus monies, remaining after Park Water Company has received its reasonable expenses incurred in operating and maintaining the Mission Hills (excluding Santa Ynez) and Lompoc Utility Services systems, shall become the property of Mission Hills Community Services District.

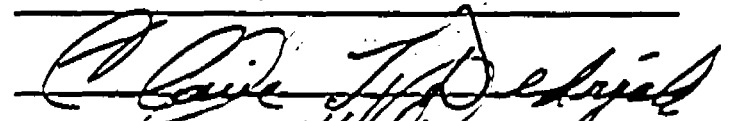
The effective date of this order is the date hereof.

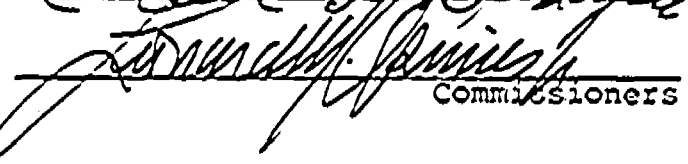
Dated JUN 17 1980, at San Francisco, California.



President







Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.