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Decision No. 92612 JAN 21 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
RANCHO LAS POSAS WATER COMPANY, a)
California corporation, and VENTURA)
COUNTY WATERWORKS DISTRICT NO. 19,)
a Waterworks District, for authori-)
zation for the sale of the water)
system of the Rancho Las Posas Water)
Company to Ventura County Waterworks)
District No. 19.)

Application No. 60080
(Filed November 14, 1980)

O P I N I O N

Summary of Decision

This decision authorizes the requested sale and transfer of the water system of Rancho Las Posas Water Company (Rancho) to Ventura County Waterworks District No. 19 (District), pursuant to Section 851 of the Public Utilities Code. The basis for the transfer is a sales agreement, Exhibit 2 attached to the joint application. District will continue water service to all of Rancho's customers. Rancho will be relieved of its public utility obligations. We will approve the agreement with minor modifications.

Formation of District

On August 19, 1980, electors residing within District's boundaries voted for the formation of District and the issuance of \$1,500,000 of bonded indebtedness to purchase Rancho's system and for meeting other expenses of District. The bonds are to be repaid by water user revenues and fees.

The boundaries of District are virtually identical to the service area of Rancho. However, four of Rancho's 881 customers receive service outside of District's boundaries. District has agreed to continue to provide them with water service without unfair or unreasonable rates and/or conditions of service.

At the present time District has no assets and is not conducting any business. District is administered ex officio by the board of supervisors of the county of Ventura.

Notice

Notice of the filing of this application was published in the Commission's Daily Calendar on November 18, 1980. No protests were received. Rancho and District feel that no public hearing is needed because the persons affected, the electors, were aware of the proposed sale and transfer. We concur.

Rancho and District request the Commission to expeditiously process this application to permit the transfer of the system.

Reason for Sale

Rancho, a public utility water corporation, was authorized to acquire the assets of a mutual water company in D.68660 dated February 24, 1965 in A.45857 and to provide water service in the vicinity of the community of Somis, north of the city of Camarillo, in Ventura County.

Much of Rancho's original water main system was undersized and in poor condition. Rancho states that it has suffered operating losses over the years and has not been able to finance needed system improvements, and that its present and past owners have had to provide capital contributions to Rancho for constructing improvements.

Rancho believes that the sale will (a) eliminate its financial difficulties, which jeopardize its ability to properly serve customers within its service area; (b) be in the best interests of its customers; and (c) permit operation of a more efficient and less expensive water distribution system.

Supplemental Information

By letter dated December 2, 1980 (Exhibit 7), the staff requested Rancho to clarify certain errors and omissions in the application. Rancho responded by letters dated December 4, 5, and 6, 1980 (Exhibit 8).

The balance sheet of Rancho as of October 31, 1980, attached to the application, shows utility plant of \$2,759,370.14 with a reserve for depreciation of \$502,231.77, leaving a net book value of \$2,257,138.37. These utility plant assets (excluding capitalized organizational expenses (\$8,700), furniture and fixtures (\$3,702.06), a pickup truck (\$3,984.44), a radio jointly owned by Rancho and Zone Mutual Water Company (\$2,208.28), and tools and equipment (\$407.22) having a total book cost of \$19,001.90 and a net depreciated cost of \$13,369.60) will be transferred to District.

The proposed purchased price will be the lesser of (a) \$1,200,000 or (b) \$200,000 plus the actual cost of certain improvements described in Exhibit C of Exhibit 2 attached to the application.^{1/} These improvements with an estimated cost of approximately \$1,000,000 have been constructed by Rancho.

1/ The improvements are:

- a. 3,164 lineal feet of 8-inch water main
- b. 17,202 lineal feet of 12-inch water main
- c. Well No. 3 - 16 inches in diameter and 1,512 feet deep with all power equipment, a 450-horsepower well pump and a 250-horsepower booster pump
- d. 1,000,000-gallon steel reservoir

District will pay refunds due under the outstanding main extension contracts set forth in Exhibit D to Exhibit 2 as required by the terms of the main extension contracts. Rancho's parent, Aetna Diversified Properties, Inc. (ADP) in turn, has guaranteed to reimburse District for such payments which have outstanding balances totaling \$82,570.03. The remaining portions of the balance sheet entry of \$961,756 for advances for construction are either advances for construction or contributions to capital made by Rancho's former owner. ADP owns those main extension contracts. There will be no refunds on advances-for-construction contracts held by ADP.

District's electors were advised that there would be a rate increase of between 15 and 30 percent due to increased operating expenses, mainly in the cost of purchased water and power charges. After the transfer District plans to increase rates by 25 percent. District has agreed to charge the same rates to those customers now located outside of its boundaries as those within its boundaries.

Rancho proposes to retain customer deposits of \$345 as of October 31, 1980 and to refund each customer's deposit pursuant to its obligations. Since Rancho will be relieved of its public utility obligations, there is no justification for its retaining this nominal amount of utility-related customer deposits. These deposits should be refunded. District may establish its own customer deposit rule.

The Ventura County Local Agency Formation Commission (LAFCO) made an environmental assessment in accordance with the California Environmental Quality Act (CEQA) prior to the formation election for District and found it to be categorically exempt. A copy of LAFCO's determination is attached to the application as Exhibit 6.

Findings of Fact

1. A purchase agreement, Exhibit 2, attached to the application, was entered into by Rancho and District providing for the sale and transfer of Rancho's water system assets, with a depreciated book value of \$2,257,138.37, except for certain assets with a depreciated book value of \$13,369.60. These book values were established as of October 31, 1980.

2. The agreement provided for Rancho to construct improvements described in Exhibit D, attached to the purchase agreement, at an estimated cost of \$1,000,000. These improvements have been completed.

3. The purchase price is to be the lesser of \$1,200,000 or \$200,000 plus Rancho's actual costs for constructing the above-mentioned improvements.

4. District will use the proceeds of revenue bonds authorized by electors residing within its boundaries to pay for the water system and for other expenditures by District.

5. District will pay amounts due on those main extension contracts set forth in Exhibit C attached to the purchase agreement pursuant to the terms of those contracts. Rancho's parent, ADP, in turn, has guaranteed to reimburse District for such refunds. The outstanding balance of these refunds was \$82,570.03 as of October 31, 1980. The agreement does not provide for refunds on main extension contracts held by ADP.

6. Rancho proposes to retain customer deposits of \$345 as of October 31, 1980 and to refund each customer's deposit pursuant to its obligations.

7. Rancho's customer deposits should be refunded.

8. District has agreed to furnish service to existing Rancho customers located outside of its boundaries at the same rates as customers located within its boundaries.

9. District proposes to increase the rates now charged by Rancho by 25 percent to offset increases in operating expenses.

Conclusions of Law

1. District has the capability to take over Rancho's system and to provide water service to Rancho's present customers.

2. The proposed transfer is not adverse to the public's interest.

3. A public hearing is not necessary. The application should be granted.

4. The effective date of the decision should be the date hereof, since the transfer was to have taken place on January 1, 1981.

O R D E R

IT IS ORDERED that:

1. On or before June 30, 1981 Rancho Las Posas Water Company (Rancho) may sell and transfer its water system to Ventura County Waterworks District No. 19 (District) in accordance with the terms and conditions of the Agreement for Sale of Water System of Rancho Las Posas Water Company attached to the application with the corrections described in Finding 1 herein.
2. On or before the date of actual transfer Rancho shall refund all customers' deposits for the establishment of credit.
3. Within ten days after the completion of the transfer Rancho shall notify the Commission, in writing, of the date of transfer, of the refunding of the deposits, and of the date upon which District shall have assumed operation of the water system. A true copy of the instruments of transfer shall be attached to the notification.
4. On or before March 31, 1981 Rancho shall file two copies of its 1980 Annual Report to the Public Utilities Commission for the year ended December 31, 1980.

5. Upon compliance with all of the terms and conditions of this order, Rancho shall be relieved of its public utility obligations in connection with the water system transferred.

The effective date of this order is the date hereof.

Dated JAN 21 1981, at San Francisco, California.

John E. Bryson
President
Richard A. ...
Leonard M. ...

Commissioners