

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Ponderosa Water Co., Inc., doing business as Ponderosa Water Co., to sell, and Tuolumne Utilities District to buy, the water system located north of Tuolumne City, serving 542 customers.

Application 98-05-029
(Filed May 12, 1998)

OPINION

1. Summary

Ponderosa Water Co., Inc. (Ponderosa) seeks authority pursuant to Public Utilities Code §§ 851-854 to sell and transfer its water system and property to the Tuolumne Utilities District (District) in Sonora, California. District would take over service to 542 Ponderosa customers, who would receive a reduction averaging about \$22 in their bimonthly water bills as a result of the transfer. No protests to the application have been filed. The Commission's Water Division has reviewed the application and has no objection. The application is granted.

2. Procedural Status

This application was filed on May 12, 1998, and notice of the filing appeared in the Commission's Daily Calendar on May 20, 1998. Pursuant to Resolution ALJ 176-2993, issued on May 21, 1998, the application was preliminarily categorized as a ratesetting matter for which no hearings would be required. No protests have been received. Given these developments, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-2993.

Findings of Fact

1. Ponderosa was granted a certificate of public convenience and necessity to operate as a public utility water company in Decision 64538 on June 18, 1962.
2. The water system includes 16 parcels of land, transmission line, pumps and tanks, water treatment equipment, seven tanks with a capacity of 2.8 million gallons, and 122,000 feet of water mains.
3. Ponderosa states that the original cost of the property to be transferred is \$907,267, with a depreciation reserve of \$339,643, resulting in a net book cost of \$567,624.
4. District is a special district organized on July 1, 1992, and is governed by a five-member board of directors elected at large.
5. District provides water service to 10,644 customers and sewer service to 4,449 customers in and around Sonora, California.
6. District seeks to acquire the Ponderosa system at a cost of \$900,000, less customer contributions since December 31, 1996, toward repayment of an outstanding state water system improvement loan.
7. The purchase is contingent upon formation of an improvement district within the Ponderosa service area.
8. District would contribute \$150,000 toward improvements to the Ponderosa system.
9. Ponderosa customers would repay District approximately \$465,000 of the purchase price and cost of improvements over 20 years in the form of a \$7.26 surcharge on their bimonthly bills.
10. Even with payment of the surcharge, the average water bill for current Ponderosa customers will be reduced by approximately \$22.47 bimonthly, from \$88.55 to \$66.08.

11. The owner of the Ponderosa system, William E. Gerber III, states that he wishes to sell the system in order to retire.

12. District states that it will be able to provide better service to the affected customers because it will tie the transferred system into District system, thus providing backup service and other efficiencies.

13. Ponderosa states that it will refund customer deposits in escrow.

14. Notice of this application appeared in the Daily Calendar on May 20, 1998. No protests have been filed.

15. The Commission's Water Division has reviewed the proposed terms of sale of the water system and has no objection.

Conclusions of Law

1. A hearing is not necessary.

2. This application is filed pursuant to Public Utilities Code §§ 851-854, which require Commission approval of a public utility's transfer of all or part of its systems.

3. The Commission's obligation in considering the transfer of a public utility water system is, among other things, preventing impairment of public service and ensuring that the new operator will perform adequately and will impose reasonable rates. (So. Cal. Mountain Water Co. (1912) 1 CRC 520.)

4. Where a special district that already operates a water system acquires an investor-owned water system, a presumption arises that rates charged by the district will be fair, reasonable, just and nondiscriminatory. (American Microsystems, Inc. v. City of Santa Clara (1982) 137 CA3d 1037, 1041.)

5. Current ratepayers in the transferred system are assured of continued water service through the District's system.

6. The application should be approved, and, after consummation of the transfer and payment to the Commission of reimbursement fees due pursuant to

Public Utilities Code § 401, et seq., Ponderosa should be relieved of its public utility responsibilities.

7. It can be seen with reasonable certainty that there are no adverse environmental issues associated with the proposed transfer of water service.

8. The application should be approved as soon as practical so that benefits of District operation of the transferred system can be realized quickly.

O R D E R

IT IS ORDERED that:

1. Within six months after the effective date of this order, Ponderosa Water Co., Inc. (Ponderosa) may sell and transfer to the Tuolumne Utilities District the water system set forth in the application.

2. Within 10 days of the actual transfer, Ponderosa shall notify the Commission in writing of the date on which the transfer was consummated. A true copy of the instrument effecting the sale and transfer shall be attached to the written notification.

3. Within 30 days of the actual transfer, Ponderosa shall file an Advice Letter in accordance with General Order 96-A to modify its tariff book to reflect this sale.

4. Ponderosa shall make remittance to the Commission of the Public utilities Commission Reimbursement Fees collected to the date of the sale and transfer of the subject water system.

5. Upon completion of the sale and transfer authorized by this Commission order, and payment of the Public Utilities Commission Reimbursement Fees, Ponderosa shall stand relieve of its public utility water service obligation.

6. The issues presented in Application (A.) 98-05-029 are resolved.

7. A.98-05-029 is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners