

Decision 01-05-075 May 24, 2001

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of the Glen Ellen Water Co., LLC (WTD412) to sell, and of the Sonoma Springs Water Company, LLC to buy, the water system located at and around 1651 Warm Springs Road, Glen Ellen, CA, near the Community of Kenwood, County of Sonoma,

Application 00-12-014  
(Filed December 4, 2000)

**O P I N I O N**

**1. Summary**

This decision authorizes Glen Ellen Water Co., LLC (Glen Ellen Water), a Class D water company serving 23 customers and Morton's Warm Springs Resort in the community of Glen Ellen in Sonoma County, to sell its water system assets to Sonoma Springs Water Company, LLC (Sonoma Springs), the managing partner of which has purchased the resort. Following the transaction Sonoma Springs would assume Glen Ellen Water's public utility obligations and provide water service to customers under Glen Ellen Water's rates and tariffs.

**2. Discussion**

The Commission in 1988 determined that the water system serving Morton's Warm Springs Resort and nearby residential customers was a public utility water system. A certificate of public convenience and necessity was granted to prior owner Dino Bozzetto and what was then called the Los Guillicos Water Works, in Decision (D.) 88-01-015. In 1998, the Commission approved the

sale of the water system to Glen Ellen Water in D.98-09-060. The sale was completed as of June 1, 2000.

The water system is comprised of one 12-inch-wide well, two pumps, 500 feet of mains, three fire hydrants, and maintenance equipment. Glen Ellen Water owns no land and conducts its operations on property owned by the resort that it serves. Of the 23 residential customers served by the system, 21 have meters.

Neither Sonoma Springs nor its managing member Vanya Rohner has any prior experience in operating a water system. In order to meet requirements of this Commission and of the Department of Health Services (DHS), they have assembled a team of experienced individuals to manage and operate the water system as consultants. Karen Ball, a licensed water company operator who manages the Kenwood and Pengrove water companies, will provide management services and will supervise the system's books and records. Eric Miller, a licensed water company operator, will provide operational and maintenance services. John Pflueger, who has managed the system since 1998 for the prior owner, will provide operational support and supervision. Sonoma Springs states that the office staff of the resort will do the billing and bookkeeping for the water system

Glen Ellen Water states that it desires to sell the water system because it has sold the real property of Morton's Warm Springs Resort and the resort business to Sonoma Springs' managing member. Sonoma Springs states that it desires to acquire the system to assure the availability of drinking water for the resort, and because it is convenient and efficient to operate the water system in connection with operating the resort. Glen Ellen Water and Sonoma Springs seek authorization for the sale and purchase under Pub. Util. Code §§ 851 through 854.

Sonoma Springs proposes to assume Glen Ellen Water's public utility obligations and apply existing rates and tariffs of Glen Ellen Water to its customers. Total operating revenue for the company in 1999 was \$8,275, and net income for the year was \$1,479.

Applicants warrant that there are no Glen Ellen Water customer deposits to establish credit and no main extension advances which will fall due in the future.

Sonoma Springs would acquire the Glen Ellen Water system for \$20,000, payable in full upon the Commission's approval of the transfer of control and acquisition of an operating permit from the DHS. Glen Ellen Water states that its total plant in service is valued at \$43,890, with a depreciation reserve of \$23,766, thus resulting in a net book cost of the system and a rate base of \$20,124.

### **3. ORA Protest Withdrawn**

On December 29, 2000, the Water Branch of the Office of Ratepayer Advocates (ORA) protested the application, stating concerns about the lack of first and fifth year forecasts of results of operations and the absence of financial statements for the buyer. At a prehearing conference on February 23, 2001, Sonoma Springs responded to ORA's concerns and stated that it had, the day before, filed an amendment to the application containing the additional information. The amendment showed forecasted revenue of \$12,500 in the first year of operation and \$16,000 in the fifth year of operation. It also calculated current assets over liabilities of \$11,400 for Sonoma Springs. After further investigation, ORA on March 26, 2001, filed a motion to withdraw its protest, asking only that the Commission condition any authority it grants on completion of certain requirements of the Health and Safety Code. ORA's motion is granted.

#### **4. Ratemaking Considerations**

The net book cost of the water system as of June 1, 2000, was \$20,124. The parties have settled on a purchase price of \$20,000. Under the provisions of the Public Water Systems Investment and Consolidation Act of 1997 (Pub. Util. Code §§ 2718 and 2719), a purchase price is authorized in the acquisition of a water company so long as it represents the price agreed to by a willing seller and a willing buyer. (*See* § 1263.320 of the Code of Civil Procedure.)

Pursuant to the provisions of California Health and Safety Code (CH&S Code) § 116525(a), any person or entity operating a public water system must have a permit to operate that system from the DHS. A change in ownership of a public health system requires the prospective new owner to apply to and satisfy the DHS requirement that the new owner “possesses adequate financial, managerial, and technical capability to assure the delivery of pure, wholesome, and potable drinking water” (CH&S Code § 116540). Accordingly, apart from authorization from the Commission for Sonoma Springs’ acquisition of the Glen Ellen Water system, Sonoma Springs also must apply to the DHS for reissuance of the existing permit of Glen Ellen Water.

#### **5. Procedural Considerations**

Notice of this application appeared in the Commission’s Daily Calendar of December 18, 2000. Glen Ellen Water’s customers were notified by mail of the application and its possible effect on them, and were invited to write to the Commission if they had comments or objections. No responses were filed, and no protests were received other than that of ORA, which has been withdrawn.

In Resolution ALJ 176-3053, the Commission preliminarily categorized this as a ratesetting proceeding, and preliminarily determined that a hearing would not be necessary. There are no material facts in dispute, no protests, and no

known opposition to granting the full relief requested. We conclude that it is not necessary to disturb our preliminary determinations.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **Findings of Fact**

1. Glen Ellen Water and Sonoma Springs have entered into a purchase agreement by which Sonoma Springs would acquire the water system assets of Glen Ellen Water.
2. Upon transfer, Sonoma Springs would apply Glen Ellen Water's rates and tariffs to 23 residential customers and Morton's Warm Springs Resort.
3. Sonoma Springs has contracted for the experienced operators to operate the water system.
4. Sonoma Springs has the financial resources necessary to operate the system.
5. There is no known opposition to granting the authority requested.

### **Conclusions of Law**

1. Sonoma Spring's proposed acquisition of the Glen Ellen Water system is in the public interest.
2. Pursuant to CH&S Code § 116525, a change in ownership of a public water system requires application for a new operating permit from the DHS.
3. A public hearing is not necessary.
4. The application should be granted as set forth in the order that follows.
5. The order that follows should be made effective immediately to allow Glen Ellen Water and Sonoma Springs to complete the transaction without delay.

**O R D E R**

**IT IS ORDERED** that:

1. Within six months after the effective date of this order, Glen Ellen Water Co., LLC (Glen Ellen Water) may sell and Sonoma Springs Water Company, LLC (Sonoma Springs) may acquire Glen Ellen Water's public utility water system assets as described in Application 00-12-014 and the exhibits attached to it.

2. As conditions of this grant of authority, Sonoma Springs shall assume Glen Ellen Water's public utility obligations, including the permit requirements of the California Department of Health Services, and Glen Ellen Water shall remit to the Commission all user fees due under Pub. Util. Code § 401, *et seq.*, up to the date of closing.

3. Before the transfer is complete, Glen Ellen Water shall deliver to Sonoma Springs, and Sonoma Springs shall keep, all records of construction and operation of the Glen Ellen Water system.

4. Within 10 days after the transfer, Sonoma Springs shall file an advice letter in the form prescribed by General Order 96 canceling Glen Ellen Water's tariffs and simultaneously making only such revisions to Glen Ellen Water's tariffs as are necessary to reflect the transfer of control. Concurrently with this advice letter filing, Sonoma Springs shall provide a separate compliance letter to the Commission's Water Division providing notification of the date on which the transfer was consummated and attaching true copies of the sale and transfer instrument(s).

5. Within 90 days after the transfer, Sonoma Springs shall file in proper form an annual report on Glen Ellen Water's operations from the first day of the year through the effective date of transfer.

6. Upon completion of the transfer in conformance with this order, Glen Ellen Water shall have no further public utility obligations in connection with the Glen Ellen Water public utility water system.

7. Application 00-12-014 is closed.

This order is effective today.

Dated May 24, 2001, at San Francisco, California.

LORETTA M. LYNCH  
President  
HENRY M. DUQUE  
RICHARD A. BILAS  
CARL W. WOOD  
GEOFFREY F. BROWN  
Commissioners