

Decision 09-10-018 October 15, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of John W. Richardson as
Receiver for the Ponderosa Sky Ranch
Water System (U49W) to Sell and Transfer
the Water System in Tehama County to
Sky View County Water District.

Application 09-07-019
(Filed July 20, 2009)

**DECISION APPROVING SALE
OF PONDEROSA SKY RANCH WATER SYSTEM**

1. Summary

We approve the application by John W. Richardson, in his capacity as Receiver of the water system known as Ponderosa Sky Ranch Water System (Seller), and Sky View County Water District, a newly formed community service district (Buyer), to sell and transfer that system to Buyer and to relieve Seller of any public utility responsibilities related to the system, upon compliance with the conditions of our Order.

Application 09-07-019 is closed.

2. Background

2.1. Parties

Ponderosa Sky Ranch Water System (Ponderosa) is a domestic water enterprise currently furnishing service to customers within Ponderosa Sky Ranch Subdivision in Paynes Creek, California. Seller was appointed Receiver of the system on September 7, 2003, by the Superior Court of California for the County of Tehama (Court), in Case No. 52345.

Buyer is a public entity established in the Ponderosa Sky Ranch Subdivision. It is governed by Title 12 of the California Water Code, Section 30000 *et seq.*, and may lawfully incur debt to be repaid in a future fiscal year.

2.2. Ponderosa System

Ponderosa serves 110 customers in or near Paynes Creek. Its system basically consists of approximately five miles of pipeline, five fire hydrants, 84 meters, one operable 16,000-gallon capacity steel storage tank, one 300-gallon capacity steel pressure storage tank and associated components comprising its hydropneumatic system, and one well and associated components comprising its water supply system. Ponderosa's assets are more particularly described in the Asset Acquisition Agreement dated June 9, 2009 (Agreement), a copy of which is attached as the Appendix to our Order.

Ponderosa's most recent Annual Report (2007) shows that it had net income of \$2,410 on total operating revenues of \$51,715. Its system requires modification and repairs to bring it into compliance with standards mandated by Commission General Order (GO) 103-A. Seller is unable to repair and operate the system with available financial resources.

2.3. Sale and Purchase Transaction

Buyer intends to purchase the system, make repairs and upgrades, and operate it in compliance with state and local requirements. To that end, Buyer has applied for state and federal grants and low interest loans to perform the necessary work.

Under the terms of the Agreement, Buyer will purchase Ponderosa for \$50,000, payable in cash upon closing. The sale will be subject to final approval by the Court, and by state and local health agencies. The sale is conditioned

upon Buyer meeting California Department of Public Health Technical Management and Financial criteria before the ownership change.

Buyer proposes to adopt Ponderosa's presently filed tariffs. Customer deposits will be transferred to Buyer at closing. There are no main extension advances extant.

3. Discussion

This proceeding requires the Commission to examine the technical and financial qualifications of the prospective buyer and assess any impact that the transaction would have on rates and services.

Buyer is a newly created public entity formed for the express purpose of purchasing and operating Ponderosa, and the terms of sale require it to satisfy the technical qualifications of state and local health authorities before the sale may close. Although, as a new entity, Buyer has no financial history, it has access to funding through grants and loans that will facilitate Ponderosa's operations and improve its water service.

The Commission has historically required the sale of a small water company to satisfy a standard of ratepayer indifference. Under this standard, the sale of a utility should not have any net consequences that cause the ratepayer to prefer the seller to a buyer. For example, ratepayers should not be subject to increased rates or reduced service as a result of a change of ownership. Approval of the proposed transaction will not result in increased rates, because Buyer proposes to adopt Seller's existing tariffs. Consequently, we deem this transaction to be a matter of indifference to ratepayers.

4. Conclusion

We conclude that the proposed sale and purchase transaction will not be adverse to the public interest, and should be approved.

5. Categorization and Need for Hearing

In Resolution ALJ 176-3238, dated July 30, 2009, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. We confirm the preliminary determination made in Resolution ALJ 176-3238.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

7. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Victor D. Ryerson is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Seller is a domestic water enterprise currently furnishing service to 110 customers within Ponderosa Sky Ranch Subdivision in Paynes Creek, California. Its system basically consists of approximately five miles of pipeline, five fire hydrants, 84 meters, one operable 16,000-gallon capacity steel storage tank, one 300-gallon capacity steel pressure storage tank and associated components comprising its hydropneumatic system, and one well and associated components comprising its water supply system.

2. Seller was appointed Receiver of the System on September 7, 2003, by the Superior Court of California for the County of Tehama, in Case No. 52345. Seller is unable to repair and operate the system in compliance with state and local health requirements with available financial resources.

3. Buyer is a newly created public entity formed for the express purpose of purchasing and operating Ponderosa. Buyer intends to purchase the system, make repairs and upgrades, and operate it in compliance with state and local requirements with the assistance of state and federal grants and low interest loans for which it has applied in order to perform the necessary work.

4. Ponderosa's system requires modification and repairs to bring it into compliance with standards mandated by GO 103-A.

5. Under the terms of the Agreement, which governs the transaction, Buyer will purchase Ponderosa for \$50,000.00, payable in cash upon closing. The sale will be subject to final approval by the Court, and by state and local health agencies. The sale is conditioned upon Buyer meeting California Department of Public Health Technical Management and Financial Criteria before the ownership change.

6. Approval of the sale and transfer will not result in increased rates or reduced service to Ponderosa's customers.

Conclusions of Law

1. Transfer of the Ponderosa system from Seller to Buyer would not be adverse to the public interest by reason of the matters set forth in the Findings of Fact, as is more fully explained in the body of the decision.

2. Transfer of ownership of the Ponderosa system meets the test of ratepayer indifference, in that customers will be unaffected or better off in terms of service, water quality, and water rates.

3. The application should be approved.

4. This order should be made effective immediately.

O R D E R

IT IS ORDERED that:

1. In his capacity as Receiver of the water system known as Ponderosa Sky Ranch Water System, John W. Richardson shall transfer and deliver to Sky View County Water District the Acquired Assets as defined in Section 1.2 of the Asset Acquisition Agreement dated June 9, 2009, a copy of which is included as the Appendix to this Decision, and shall deliver to Sky View County Water District appropriate bills of sale, assignments, easements, grant deeds, or other documents necessary to effect the transfer of title to the Acquired Assets to the Sky View County Water District.

2. The transfer and delivery under the preceding paragraph shall occur no later than the 5th business day after the effective date of authorization by the Superior Court of California, Tehama County, unless the parties agree to a different closing date; provided, however, that John W. Richardson shall use his best efforts to seek approval of the Superior Court of California, Tehama County, at the earliest possible date.

3. Within 10 days after the date of transfer John W. Richardson shall inform the Commission, through an informational filing in this proceeding, of the date of the transfer and the date that transferee Sky View County Water District commenced operating the system. A copy of the fully executed final transfer documents shall be attached.

4. Ponderosa Sky Ranch Water System is relieved of any public utility responsibilities related to the system upon conclusion of the transfer and delivery as provided herein.

5. Application 09-07-019 is closed.

This order is effective today.

Dated October 15, 2009, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners