

Decision No. 89064 JUL 11 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of George W. Hasek,
doing business as Hacienda Water
Company to sell his interest in,
and Brian E. Kerchenko to buy
said interest in the water system
in Sonoma County.

Application No. 57968
(Filed March 31, 1978)

O P I N I O N

George W. Hasek, dba Hacienda Water Company, requests authorization to sell and transfer his interest in the water system and related assets to Brian E. Kerchenko.

The Hacienda Water System furnishes domestic water to approximately 130 metered-service customers and 15 flat rate customers in the small town of Hilton, Sonoma County, California. Records of the Commission show that Mr. Hasek, Mr. Louis Evangelisti, and Mr. M. F. Pelletti were each authorized by Decision No. 34183, in Application No. 24109, to purchase a full one-third interest in the water company from the owners H. B. and Eve B. Smith. Mr. Hasek was then authorized by Decision No. 39346 in Application No. 27583 to purchase the one-third interest of Mr. Pelletti, and has since been the owner of a full two-thirds interest in the water company. The remaining one-third is now part of the estate of Mr. Evangelisti, recently deceased.

The filed annual report for 1976 shows that the original cost of the system is \$31,512.82, and the depreciation reserve is \$18,441.28, resulting in a net book cost of \$13,071.54.

The selling price is \$15,000 for Mr. Hasek's two-thirds interest to be secured by a promissory note for \$15,000 in favor of the seller, signed by both the purchaser, Brian E. Kerchenko, and his wife, Judith Kerchenko. A copy of the proposed transfer agreement and of the proposed deed to the real property are attached to the application as Exhibits A and B.

Seller George Hasek alleges that because of age and a heart condition, he is no longer able to operate the water utility, and that for the past two years the purchaser, Brian E. Kerchenko, has been operating it for him.

Purchaser Brian E. Kerchenko alleges that he wishes to buy the water utility because he believes it can be developed into a successful operation. He has a Grade 2 water treatment operator's license and has been operating the plant for the past two years.

The purchaser's net worth as indicated in the application appears to be adequate to acquire and operate the water company.

The system has been described in staff investigation reports as old, with undersized mains. It has 6,428 linear feet of two-inch diameter and under mains, 2,100 linear feet of 2½ inches to 3½-inch diameter mains, and 1,400 linear feet of 4-inch diameter mains. Service has been described as satisfactory, and few complaints have been received. A rate increase averaging 29%, designed to return 8.4% on rate base, became effective February 1, 1976, but the annual report for 1976 shows revenue of \$9,223.77, and operating expenses, depreciation, and taxes totalling \$10,681.18 for a net loss of \$1,457.41.

Applicants did not specify the responsibility for refund of customer deposits or of main extension advances but the staff investigation has determined that there are no deposits or advances, and no refunds due or to become due.

No immediate modifications or improvements to the system are required. Planning for expansion of the community will eventually generate a requirement for augmentation of the distribution system, which will be accomplished by the buyer under the provisions of the main extension rule. A financial problem may arise if extensive plant improvements or modifications not associated with the main extension rule are required in the future; however, the operator (buyer) has extensive experience in operating the water utility, and in that event should be able to continue satisfactory service pending additional financing.

The Commission finds that:

1. Seller has a full two-thirds interest in the water utility acquired through Commission approved purchases.
2. Buyer is a trained and experienced water utility operator, with adequate financial resources to acquire and operate the Hacienda Water Company, but buyer may not be able to pay for extensive plant improvement or modification.
3. The proposed sale and transfer is not adverse to the public interest.
4. A public hearing is not necessary.

It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

The authorization herein granted shall not be construed as a finding of the value of the rights and properties herein authorized to be transferred nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1978, George Hasek (seller) may sell and transfer the water system (and other assets) referred to in the application to Brian E. Kerchenko (purchaser).
2. As a condition of this grant of authority, purchaser shall assume the public utility obligations of seller within the area served by the water system being transferred and shall assume liability for refunds of all existing customer deposits and advances pertaining to the water system being transferred if any exist. Purchaser shall send notice of the assumption of liability for refunds to all customers affected.

3. Within 10 days after completion of the transfer purchaser shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in Paragraph 2 of this order.

4. Purchaser shall either file a statement adopting the tariffs of seller now on file with this Commission or refile under its own name those tariffs in accordance with the procedures prescribed by General Order No. 96-A. No increase in rates shall be made unless authorized by this Commission.

5. On or before the date of actual transfer, seller shall deliver to purchaser, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

6. On or before the end of the third month after the date of actual transfer purchaser shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the operations of seller for the period commencing with the first day of the current year to and including the effective date of the transfer.

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

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 11th day
of JULY, 1978.

Robert Bateman
President

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Charles D. Howell
Walter T. DeLoach
Commissioners