

ORIGINAL

Decision 93630 OCT 20 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of OCEAN INVESTMENTS, )  
a limited partnership, to sell )  
and CHARLES A. HAMILTON to buy )  
2945 shares of the common stock )  
of SERENO DEL MAR WATER COMPANY, )  
a California corporation, )  
operating the water system near )  
Bodega Bay, Sonoma County. )

Application 60649  
(Filed June 15, 1981)

O P I N I O N

This is a joint application of Ocean Investments (Ocean), a limited partnership, to sell and Charles A. Hamilton (Hamilton), to buy all of the outstanding 2,945 shares of the common stock of Sereno Del Mar Water Company (Sereno). The application is made under Public Utilities Code Sections 851 through 854.

Sereno operates a water system in an area approximately 3½ miles north of the community of Bodega Bay, Sonoma County, and serves approximately 73 customers.

The principal elements of the water system are as follows:

1. 2 50-ft x 50-ft parcels of land.
2. 11 wells ranging from 6 to 8-5/8 inches in diameter and ranging in depth from 30 feet to 100 feet.
3. 10 well pumps and 2 booster pumps.
4. Water treatment equipment consisting of a chlorinator, sand filters, alum pump, and other elements.
5. 2 90,000-gallon capacity tanks.
6. 18,654 feet of water mains.
7. 73 installed meters.
8. 19 fire hydrants.
9. Other miscellaneous equipment.

The attorney for Sereno by letter dated October 8, 1981 has furnished additional information. This letter is received as Exhibit 1. The information shows that the two small land parcels being transferred as part of the water system are used to accommodate water treatment equipment and two storage tanks. Sereno also has a number of easements employed for existing wells or for wells that may be required in the future as development takes place and water demands increase.

The agreement of purchase and sale of stock, Exhibit B of the application, involves two transactions. One is the sale and purchase of the outstanding common stock of Sereno. The other transaction is the sale and purchase of certain real property. The total purchase price for the stock and real property is \$600,000 of which \$250,000 has been allotted by the buyer to the purchase of the stock of Sereno and \$350,000 has been allotted to the purchase of the real property. This order will deal only with the sale of stock of Sereno.

Sereno's annual report for 1980 on file with the Commission shows year-end total plant in service of \$110,697. The report contains no information on depreciation expense or reserve. Sereno has never charged depreciation expense on its books. In order to establish net book value of the system for ratemaking purposes, we will require preparation and submission, within six months, of a study of a theoretical depreciation reserve and of appropriate plant depreciation rates, for the approval of the Executive Director.

The seller and buyer warrant that there are no customer deposits to establish credit or main extension advances being held.

The buyer states that he has been manager of a private water company subject to county supervision in Florida serving over 100 units; he has also been active in a company involving effluent and water bacterial controls.

In answer to a staff inquiry, the attorney for Hamilton furnished the following information by letter dated August 12, 1981 received as Exhibit 2:

1. The day-to-day operations of the systems will be continued under the existing personnel until December of 1981. During that period of time, replacement personnel will be trained to take over the day-to-day operations of the water company. At the present time, the day-to-day operations are being maintained through the offices of Charles Giovanetti. ✓
2. The persons running the day-to-day operations of the system presently are the same persons who have been running the system for the past 10 to 11 years. The replacement personnel will have on-the-job training for a period of approximately four to six months.
3. Customers can contact the utility company through Mr. Giovanetti's office. ✓
4. The operator of the water treatment system is, and will continue to be, Charles Judson, a state certified operator.

The following summarizes the financial statement of buyer Hamilton:

Total Assets:	\$20,160,000
Liabilities (Mortgages payable)	\$ 2,000,000
Net Worth	\$18,160,000

All customers received notice of the application and description of the intentions of Ocean and Hamilton. No protests have been received from customers.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Transfer of Sereno from Ocean to Hamilton would not be adverse to the public interest.
3. Buyer Hamilton intends to allocate the sum of \$250,000 as the purchase price of the shares of common stock of Sereno. Buyer Hamilton is aware that rates will be based upon the depreciated original cost of the plant excluding contributed plant and not on the purchase price.
4. Sereno has not maintained depreciation expense or reserve accounts.
5. The sale of Sereno is conditioned on the approval by this Commission. ✓

Conclusion of Law

The application should be granted.

This authorization is not a finding for the value of the rights and properties to be transferred.

O R D E R

IT IS ORDERED that:

1. Ocean Investments may sell and Charles A. Hamilton (Hamilton) may buy 2,945 shares of the common stock of Sereno Del Mar Water Company (Sereno). This authority will expire six months after the effective date of this order.
2. The water system and public utility property authorized to be transferred by this order shall be the property described in the opinion, including the two 50-ft. by 50-ft. parcels, as well as the easements Sereno has for existing or future wells.
3. Sereno shall continue to be liable for all refunds due any existing customers and shall notify the affected customers.

4. Within six months of the effective date of this order Sereno shall submit the results of a study of the system's depreciation reserve requirements and recommended plant depreciation rates, for the approval of the Executive Director.

5. Hamilton, within 30 days of the sale, shall notify the Commission of the completion of the sale of the 2,945 shares of common stock of Sereno.

This order becomes effective 30 days from today. ✓

Dated October 20, 1981, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

*I certify that this decision was approved  
by the above Commissioners today.*  
*John E. Bryson*  
JB