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Decision No. 13767.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
ARROWHEAD UTILITY COMPANY,
a corporation, and HARRY LEE MARTIN,
for an order authorizing the sale
and purchase of all of the telephone
system of said Harry Lee Martin, lo-
cated at Lake Arrowhead, San Bernar-
dino County, California.

Application Number 9655

In the Matter of the Application of
ARROWHEAD UTILITY COMPANY,
a corporation, for an order auth-
orizing the purchase of all of the
power and electric system of Arrow-
head Mutual Service Company, located
at Lake Arrowhead, San Bernardino
County, California; and for an order
of public convenience and necessity
to operate said power and electric
system.

Application Number 9656

In the Matter of the Application of
ARROWHEAD UTILITY COMPANY,
a corporation, for an order author-
izing the purchase of all of the
water system of Arrowhead Mutual Ser-
vice Company, located at Lake Arrow-
head, San Bernardino County, Califor-
nia; and for an order authorizing the
purchase from Arrowhead Lake Company,
a corporation, of certain water rights
in the vicinity of Lake Arrowhead, San
Bernardino County, California, and for
an order of public convenience and
necessity to operate said water system.

Application Number 9657

Musick, Burr and Pinney,
by W. B. Pinney, for Applicants.

BY THE COMMISSION:

OPINION

In the above entitled applications, as amended, Arrowhead
Utility Company asks permission to issue and sell at par \$200,000.00
par value of common stock for the purpose of acquiring telephone, elec-

tric and water properties and constructing additions and betterments to such properties. The company further asks the Commission to declare that public convenience and necessity require it to operate electric and water plants in the territory described in the applications. In Application Number 9655 Harry Lee Martin asks permission to sell a telephone plant to Arrowhead Utility Company.

A public hearing was held before Examiner Williams. At such hearing the above applications were consolidated for decision.

The properties which the Arrowhead Utility Company intends to acquire are located in the territory commonly known as "Arrowhead Woods" including the village of Lake Arrowhead, San Bernardino County. The territory throughout which the Arrowhead Utility Company intends to operate consists of about 5,000 acres and is described in Exhibit "F" in Application Number 9656 and Exhibit "I" in Application Number 9657.

By Decision Number 12858 dated November 26, 1923 in Application Number 9180 the Commission authorized Harry Lee Martin to construct and operate a telephone system. Reference is here made to such decision for a description of the territory throughout which the telephone system may be operated. The Commission's decision authorizes Harry Lee Martin to conduct such telephone business under the name and style of Arrowhead Telephone Company. He now proposes to sell such telephone properties which on November 30, 1923 are reported to have cost \$18,702.59 to the Arrowhead Utility Company. The record shows that the \$18,702.59 includes \$2,869.90 which represents the estimated cost of telephone instruments and services.

Under the name of the Arrowhead Mutual Service Company, a mutual corporation, an electric distributing system and water distributing system have been operated at Lake Arrowhead. These properties have actually been operated by the Arrowhead Lake Company. It is proposed to transfer the electric distributing system and the water distributing systems including certain water rights owned by Arrowhead Lake Company to the Arrowhead Utility Company; the former at a cost of \$61,710.00 and the latter at a cost of \$85,512.54. These figures

apply to the properties as they existed on November 30, 1923.

The electric properties consist of rights of way, easements, transmission and distribution lines, 95 meters and 98 services. An inventory of the properties is on file in Application Number 9656. The water properties consist of water rights, rights of way, easements, reservoirs, pumps, transmission and distribution pipes, 84 meters and a like number of services. The water rights are owned by the Lake Arrowhead Company, the other properties by the Arrowhead Mutual Service Corporation. An inventory of the properties is on file in Application Number 9657. The water rights which are to be conveyed by Arrowhead Lake Company to the Arrowhead Utility Company include the right to take from Lake Arrowhead not to exceed 2,000 gallons of water per minute and the right to take not more than 100 gallons per minute from Orchard Creek and a like amount from Fleming Creek. A value of \$10,000.00 has been placed on such water rights. It is urged that this is a nominal and not the real value of the water rights. It does not seem necessary in this proceeding to determine the value of the water rights to be acquired by the Arrowhead Utility Company.

The Arrowhead Utility Company, in a supplemental application filed on March 5th, asks permission to issue and sell at par \$200,000. of common stock. The Arrowhead Lake Company has agreed to purchase forthwith enough of such stock to enable the Arrowhead Utility Company to purchase the telephone, electric and water properties referred to herein. It will pay for the properties as they existed on November 30, 1923, the amounts mentioned above and further pay the actual cost of additions and betterments since such date. The Arrowhead Lake Company has also agreed to purchase upon demand of the Arrowhead Utility Company the remainder of the \$200,000.00 of stock. We have not been furnished with a statement showing the purposes for which the remaining proceeds will be expended. We think that such statement should be filed with the Commission and therefore the order will provide that any

proceeds obtained from the sale of stock and not necessary to acquire the properties referred to herein, be expended only for such purposes as the Commission will hereafter authorize by a supplemental order or orders.

The Arrowhead Utility Company has applied to the Board of Supervisors of San Bernardino County for a franchise permitting it to construct, acquire and operate electric and water distributing systems. The company has agreed to file with the Commission a certified copy of such franchise. It should also file with the Commission a duly and legally executed stipulation agreeing never to claim a value for such franchise in excess of the amount paid therefor to the grantor, such amount to be set forth in the stipulation.

O R D E R

The Railroad Commission having been asked to make an order authorizing Harry Lee Martin to sell and transfer a public utility telephone plant to Arrowhead Utility Company, which company having asked permission to issue \$200,000.00 of stock and purchase such telephone plant and other properties and to exercise the rights and privileges which it intends to obtain under a franchise from the Board of Supervisors of San Bernardino County, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of \$200,000.00 of stock is reasonably required by the Arrowhead Utility Company and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED that Harry Lee Martin be, and he is hereby, authorized to sell and transfer the telephone properties described in Application Number 9655 to the Arrowhead Utility Company.

IT IS HEREBY FURTHER ORDERED that the Arrowhead Utility Company be, and it is hereby, authorized to issue and sell for not less than

par \$200,000.00 of its common capital stock.

IT IS HEREBY FURTHER ORDERED that the Arrowhead Utility Company be, and it is hereby, authorized to acquire the telephone, electric light and power, and water properties described in the above entitled applications, and to pay for such properties free and clear of all encumbrances as the same existed on November 30, 1923, the sum of \$165,925.13, which amount is to be obtained from the sale of stock herein authorized to be issued. The company may also purchase the extensions, additions and betterments to the above described properties made subsequent to November 30, 1923 and to pay for such extensions, additions and betterments the actual cost thereof. The amount so expended shall also be obtained from the sale of stock herein authorized to be issued. Any proceeds obtained from the sale of stock herein authorized to be issued, not necessary to acquire the above described properties shall be expended only for such purposes as the Railroad Commission will hereafter authorize by supplemental order or orders.

The authority herein granted to issue stock and acquire properties is subject to further conditions as follows:-

1. The Arrowhead Utility Company shall keep such record of the issue and sale of the stock herein authorized as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
2. The authority herein granted to transfer and purchase properties and issue stock will become effective upon the date hereof and will expire on August 1, 1924.
3. The consideration paid for the properties which the Arrowhead Utility Company is herein authorized to purchase shall not be urged before this Commission or any other public body as a finding of the value of said properties for the purpose of fixing rates or for any purpose other than

the transfer herein authorized.

4. Within thirty days after their execution, the Arrowhead Utility Company shall file with the Railroad Commission certified copies of the deeds under which it acquires and holds title to the properties which it is herein permitted to purchase.

The Railroad Commission hereby declares that hereafter, upon the filing herein of a certified copy of an ordinance of the County of San Bernardino granting to the Arrowhead Utility Company a franchise, and the filing of a duly and legally executed stipulation, as set forth in the opinion that precedes this order, the Railroad Commission will declare that public convenience and necessity require and will require the exercise by Arrowhead Utility Company of the rights and privileges granted to it by such ordinance, subject to such terms and conditions as the Railroad Commission may prescribe.

DATED at San Francisco, California, this 14th day of March, 1924.

C. Shaw

H. A. B. Bunting

James Martin

Ernest Shore

J. C. Whittier

Commissioners.