

**ORIGINAL**Decision No. 55388

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

In the Matter of the Application of )  
 E. A. SCHOETTNER and JEAN SCHOETTNER, )  
 husband and wife, and ARROWHEAD )  
 MANOR WATER COMPANY, a corporation, )  
 jointly to acquire, and E. R. CAPSTAFF, )  
 an individual, to sell the operating )  
 rights, certificates of public conven- )  
 ience and necessity and assets of )  
 LAKE BROOK PARK WATER SYSTEM, a sole )  
 proprietorship, at Lake Arrowhead in )  
 San Bernardino County; and for )  
 ARROWHEAD MANOR WATER COMPANY to )  
 issue capital stock. )

Application No. 38726  
 Amended

OPINION AND ORDER

In this application filed on January 11, 1957, and amended on February 8, 1957, and on May 15, 1957, E. R. Capstaff<sup>1</sup> seeks authority to sell, and Arrowhead Manor Water Company,<sup>2</sup> a corporation, to purchase, all of the assets and operating rights of the public utility water system known as Lake Brook Park Water System, located near Lake Arrowhead, San Bernardino County. Also, Arrowhead requests authority to issue its stock in the principal amount of \$8,500 to E. A. Schoettner and Jean Schoettner.<sup>3</sup>

The properties proposed to be transferred, including real property, water system facilities, operating rights and certificates of public convenience and necessity, are described in a proposed agreement, a copy of which is attached to the application as Exhibit B, and in a purchase contract, a copy of which is attached to the second amendment to the application.

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1 Hereinafter sometimes called Capstaff.

2 Hereinafter sometimes called Arrowhead.

3 Hereinafter sometimes collectively called Schoettmers.

Under the terms of the agreement the utility properties are to be transferred for a consideration of \$30,000, in partial payment of which Arrowhead is to execute a promissory note in the amount of \$21,500 payable at the rate of \$350 per month, including interest at 5 per cent per year on the unpaid balance. The remaining \$8,500 of the transfer price is to be paid by issuing 8,500 shares of Arrowhead's \$1 par value common capital stock to Schoettmers who advanced \$8,500 to Capstaff as an initial payment toward the purchase of the utility properties. In addition, the agreement provides for the transfer to Arrowhead of certain portions of Lots 20 and 21, Block 6, Tract 2026, in compensation for which Arrowhead is to assume payment of the unpaid balance of \$325 of a purchase contract originally executed by Mrs. E. R. Capstaff in favor of one Howard L. Fletcher in the amount of \$700. The said purchase contract is stated to have been assigned to E. A. Schoettmer, who in turn has assigned the contract to Arrowhead.

Capstaff's annual report to the Commission for 1955 shows the total utility plant to be \$35,297.79, and a reserve for depreciation of \$10,308, thus indicating a depreciated utility plant of \$24,989.79, for the water utility properties proposed to be transferred.

The application states that Capstaff has owned and operated Lake Brook Park Water System, and has managed Arrowhead, for many years and he now desires to retire from active duties incident to the water utility business and be relieved of the responsibilities and labor in connection therewith.

In view of the fact that the service area of Lake Brook Park Water System is immediately adjacent to the service area of Arrowhead Manor Water Company, it does not appear necessary for Arrowhead to maintain on file separate tariff schedules for the two water systems referred to herein. Therefore, the order which follows will authorize and direct Arrowhead to apply the rules now on file by Arrowhead to the service area of Lake Brook Park Water System, and to refile the rates now on file for Lake Brook Park Water System as part of Arrowhead's tariff schedules. Any increase in charges or more restrictive conditions which may result from applying Arrowhead's rules to the system to be acquired herein are found to be justified.

The action taken herein shall not be construed to be a finding of value of the properties herein authorized to be transferred.

The Commission having considered the above-entitled application and being of the opinion that the proposed transfer will not be adverse to the public interest, that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issuance of the note and stock hereinafter authorized is reasonably required by Arrowhead for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income; therefore,

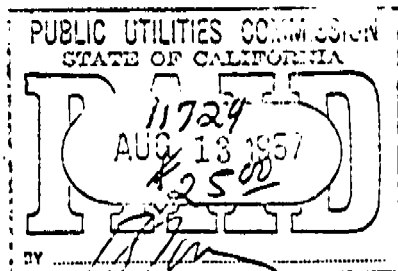
IT IS HEREBY ORDERED that:

1. E. R. Capstaff, on or after the effective date hereof, and on or before December 31, 1957, may sell and transfer all of his water utility properties referred to herein, known as Lake Brook Park Water System, to Arrowhead Manor Water Company, a corporation, pursuant to the terms of the agreement dated November 19, 1956, and amendment thereto dated January 30, 1957, copies of which are attached to the original application and amendment to the application filed February 8, 1957, respectively.
2. Arrowhead Manor Water Company, after the effective date hereof and on or before December 31, 1957, may issue a promissory note in the principal amount of \$21,500 in partial payment for the properties herein specified, and may assume the payment of the balance of \$325 plus interest at 6 per cent per year due on a note executed by Mrs. E. R. Capstaff in favor of Howard L. Fletcher.
3. Arrowhead Manor Water Company shall record the acquisition of the properties as herein authorized, in accordance with the provisions contained in the Uniform System of Accounts prescribed by this Commission for water utilities, by charging the purchase price to Account 391 and disposing of such charge in accordance with the instructions contained therein.
4. Arrowhead Manor Water Company, on and after the date of actual transfer, is authorized and directed to charge in the service area acquired under the authorization herein granted, the rates presently being charged by E. R. Capstaff under the name of Lake Brook Park Water System, and to apply in said service area its own rules which are now on file with the Commission.
5. Arrowhead Manor Water Company, if it acquires the hereinabove described properties, shall file within 30 days thereafter the rates authorized herein and shall revise its presently effective tariff schedules to provide for the application of its rules and said rates in the service area being acquired herein, together with a revised tariff service area map acceptable to the Commission of each of the two separate tariff areas to be served, all in accordance with the procedure prescribed by General Order No. 96. Such tariff sheets, including tariff service area maps, shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
6. On or before the date of actual transfer, E. R. Capstaff shall refund all customer deposits and advances for construction which are subject to refund. Any unrefunded deposits and advances for construction shall be transferred to and become the obligation for refund of Arrowhead Manor Water Company.

7. On or before the date of actual transfer, E. R. Capstaff shall transfer and deliver to Arrowhead Manor Water Company and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the public utility water system herein authorized to be transferred.
8. If the authority herein granted is exercised, E. R. Capstaff, within 30 days thereafter, shall notify this Commission in writing of the date of such completion of the property transfer herein authorized.
9. Upon due compliance with all of the conditions of this order, said E. R. Capstaff shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system hereinabove authorized to be transferred.
10. Arrowhead Manor Water Company may issue not to exceed 8,500 shares of its common capital stock of the par value of \$1 per share (total par value of \$8,500) to E. A. Schoettmer and Jean Schoettmer for the purpose of acquiring public utility properties referred to in the foregoing opinion.
11. Arrowhead Manor Water Company shall file with this Commission monthly reports as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

The authority herein granted to incur indebtedness will become effective when Arrowhead Manor Water Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25. In all other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 5<sup>th</sup> day of August, 1957.



[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners