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ORIGINALDecision No. 89135 JUL 25 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ARROWHEAD UTILITY
COMPANY to sell a water system
in the Lake Arrowhead area of
San Bernardino County to Lake
Arrowhead Community Services
District.

Application No. 58176
(Filed June 28, 1978)

O P I N I O N

Arrowhead Utility Company (AUC), a California corporation, requests permission under Section 851 to sell and transfer the water distribution facilities of AUC to the Lake Arrowhead Community Services District (District) and upon consummation of the sale and transfer to be authorized to discontinue all public utility operations and to be relieved of any further obligation for the operation of said water system facilities.

AUC is a wholly owned subsidiary of Boise-Cascade Home & Land Corporation, and operates a water system in the area known as Arrowhead Woods, San Bernardino County, California. AUC was granted a Certificate of Public Convenience and Necessity by Decision No. 13267, dated March 14, 1924, in Application No. 9657. The source of the water is Lake Arrowhead. AUC's rights to obtain water from Lake Arrowhead will be conveyed to the District. All services are metered, with 4,294 active services as of December 31, 1977. AUC estimates that approximately 200 new services will be added during 1978. An "Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company" is attached to the application as Exhibit A.

The AUC annual report for 1977 shows a net value of the utility plant less reserves of \$4,891,299.28, which includes contributions in aid of construction of \$49,344.50. The proposed

cash purchase price is \$3,895,000, subject to final adjustment within 30 days after closing to the extent of items specified in Section 2 of the agreement.

District agrees to assume responsibility for refund of all existing customer deposits and also to pay all obligations under existing main extension agreements, amounting to \$159,129.11 in aggregate unpaid balances, but excluding those main extension agreements with Boise-Cascade Home & Land Corporation, which will be cancelled. The property and assets of AUC are described in Section 1 and Exhibits 1 through 5 of the agreement. These constitute substantially all of AUC's facilities used or useful in its public utility operations. AUC will cease public utility operations upon the transfer of said property and assets.

The District has been formed pursuant to an April 1978 election by the residents in Arrowhead Woods primarily for the purpose of acquiring the assets of AUC and operating the water system. AUC proposes to sell and transfer the system due to the interest shown by District and because it believes that the public interest, economy and general welfare of the area served by AUC will best be served by selling the system to the District. Over 85% of the voters in Arrowhead Woods voted for formation of the District. The District's financial consultant has advised the District that, due to the elimination of taxes and profit resulting from public ownership, water rates can be reduced by 15%.

The District, by Resolution No. 11, which is attached to the application, urges that this Commission act with all possible speed to approve this transfer due to the need of the District for the maximum revenues occurring during the summer months to satisfy the cash flow required of the revenue bonds proposed to be issued to acquire the system. Upon issuance of an order by

this Commission authorizing the sale and transfer, the District will offer for public sale an issue of bonds sufficient to cover the purchase price and related costs, plus reserves, and upon sale will transfer the water system as provided in the agreement with a closing date expected no later than July 30, 1978.

The Commission finds that the proposed transfer will not be adverse to the public interest. A public hearing is not necessary. A Commission decision on this uncontested application must be expedited in order to fulfill one of the conditions for the closing of escrow. The application should be granted, without notice on the agenda, to avoid unnecessary monetary loss to the District.

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

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1978, Arrowhead Utility Company may sell and transfer the water system (and other assets) referred to in the application to Lake Arrowhead Community Services District, according to the terms and conditions attached to the application.
2. As a condition of this grant of authority, purchaser shall assume all liability for refunds of customer deposits and main extension advances as provided in the Agreement for Purchase and Sale.

3. Within ten days after the completion of the transfer seller shall notify the Commission, in writing, of the date of transfer and of the date upon which purchaser shall have assumed operation of the water system. A true copy of the instruments of transfer shall be attached to the notification.

4. 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.

Due to the need of the District for early approval the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 25th day of JULY, 1978.

Robert Batyminich
President
William Szymon J.
Thomas L. Stegeman
Charles W. Gualala
Clair T. Deibel
Commissioners