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Decision No. 91562 APR 15 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of WILLIAM M. NOE, individually and as Trustee of the HAZEL V. NOE TESTAMENTARY TRUST, and NICHOLAS LIMER, GERALD HEYMAN, CHESTER PRESTON, TERRENCE O'MALLEY, STANLEY KLEIN, WILLIAM KREUZER, MARTIN DOWNEN, ARTHUR DOWNEN, A. BRENT CARRUTH, AND RALPH ENDERLE to sell and buy the stock of DEER LAKE WATER CORPORATION, San Bernardino County, California.

Application No. 59135  
(Filed Sept. 11, 1979)  
(Amended Feb. 26, 1980)

O P I N I O N

Applicants, William M. Noe (Seller) and Nicholas Limer, et al. (Buyers), request authority under Section 854 of the California Public Utilities Code for Seller to transfer and Buyers to acquire the stock and control of Deer Lake Water Corporation (Utility). Seller, individually and as Trustee of the Hazel V. Noe Testamentary Trust, owns all of the issued and outstanding common stock of Utility. Financial statements of Buyers, detail of improvements, qualifications of operators, and ultimate plans for Utility were provided by amendment filed February 26, 1980. Seller has entered into a written agreement with Buyers whereby each of the parties will cooperate fully with the other in the execution of such applications, requests and documents before the Public Utilities Commission as may be required in connection with the transfer of control of Deer Lake Water Corporation. Applicants request ex parte authorization by this Commission so that the transaction may be promptly consummated.

A. 59135 - U/km

Utility is a public utility water corporation engaged in the business of supplying water service to 64 metered service customers and 29 flat rate service customers in Deer Lodge Park, near Lake Arrowhead, in San Bernardino County. Utility is operated by Seller.

Deer Lake Water Corporation was incorporated under the laws of the State of California on August 28, 1957. Apparently, 2,500 shares of common stock were issued prior to Deer Lake Water Corporation being declared a public utility by Decision No. 56529, dated April 15, 1958, in Cases Nos. 6002 and 6006. No other stock has been issued. A copy of the articles of incorporation was filed with this application. Corporate relationships have not changed since that time.

The original cost of the assets of the company, recorded as of June 30, 1979, is \$121,446.57, and the depreciation reserve as of the same date is \$28,260.51, resulting in a net book cost of \$93,186.06. Included in Section IV of the application is a description of the water system and the property owned by Utility, including pumping equipment, wells, mains and reservoirs.

The application recites that Buyers have each acquired real property or have entered into commitments to acquire real property in Deer Lodge Park, which is the service area of Utility. Buyers intend to improve said real property by building homes thereon. Buyers have entered into an agreement to acquire all of the stock of Utility in order to insure good management of Utility, upon which they will depend for water supply and to realize a return on their investment in Utility. Exhibit "F", attached to the amendment to the application, recites plans for upgrading the water system, including work already underway. Substantial improvement in operations and service of Utility is anticipated as a result of the transaction.

Buyers' financial statements indicate that they have combined assets on an estimated value basis as of June 30, 1979 exceeding \$3,000,000 and an annual combined income of over \$340,000.

Terms of the agreement between Seller and Buyers provide that Buyers will purchase Utility for \$94,100, consisting of cash payment of \$65,000 and assumption of a Small Business Administration (SBA) loan to Utility of \$29,100. Conditions of the sale require Seller to complete repairs of property damage for which a SBA loan was made prior to close of escrow. Also, a chlorinator and housing for same, required by the Environmental Health Department (EHD) of San Bernardino County, is to be installed. Buyers may, at their discretion, hire William M. Noe as a consultant and supervisor for \$300 per month with a maximum of thirty hours per month for one year, commencing at the close of escrow. Buyers agree to hire a certified water treatment operator, for one day a week, and a full-time operator in training to work under his supervision until also certified.

Exhibit "H" attached to the amendment to the application is a notice to the customers informing them about the filing of the application. Such notice was effected by mail on February 8, 1980, advising customers that any comments or questions be directed in writing to the Los Angeles office of this Commission. The Commission has received two protests, because of poor water service, to the proposed acquisition of control and eight informal complaints of poor service. The San Bernardino County EHD has recommended improvements to the water system which, upon completion, will alleviate the customer complaints related to poor water service. Buyers have made a commitment to make the improvements within certain time limits. Buyers' written agreement with EHD is attached as Appendix A.

The transfer of a water company, even when merely control passes, is a sensitive subject for this Commission in the discharge of its regular responsibilities. Many of the transfer applications that we receive involve companies which provide poor service with little prospect for improvement. In such cases, we may find it appropriate to require various commitments from the buyer or seller as a condition of the transfer. Frequently, we find that a public district, by takeover or formation, offers a more promising future than transfer, and we promote such a result. Sometimes a public hearing is required to examine the facts and circumstances surrounding the proposed transaction.

In this light, we determine that the proposed acquisition of control of Utility by Buyers would not be adverse to the public interest and that the application should be granted. A public hearing is not necessary.

This decision is based on the information on file with the Commission and furnished by the applicants, which indicates that Utility is in need of improvement to provide adequate service with a reliable water supply. Buyers have adequate assets with a direct stake in the viability of Utility and have made a commitment to improve the system. Utility will be ordered to submit progress reports on improvements to the Commission at six-month intervals until improvements are completed. In order for improvements to commence which are necessary for the delivery of wholesome potable water with adequate supply, the handling of this order should be expedited. The effective date of this order should be the date hereof.

Findings of Fact

1. Utility provides water service to 93 domestic customers in Deer Lodge Park near Lake Arrowhead in San Bernardino County.

2. William M. Noe owns the 2,500 shares of issued and outstanding common stock of Deer Lake Water Corporation.

3. Articles of Incorporation for Deer Lake Water Corporation were filed with this application.

4. Assets of the proposed Buyers appear to be adequate, and their income appears sufficient to supply the necessary finances to perform the improvements recommended by the Health Department, as well as sufficient funds for the continued operation and maintenance of Utility.

5. Acquisition of the stock of Deer Lake Water Corporation results in transfer of control of Utility to Buyers.

6. The operation of Utility will be improved by this transfer.

7. All customers have been notified of this pending application; it is expected that all objections voiced in their responses will be satisfied by completion of improvements to the system to be made a condition of this order.

8. The improvements to the system should be completed by Utility under new management. Utility should submit progress reports on improvements to the Commission at six-month intervals until completion of said improvements.

9. Expedient action has been requested in order to permit early completion of scheduled improvements.

The authorization granted shall not be construed as a finding of the value of the rights and properties authorized to be acquired.

A. 59135 - U/kn

Conclusions of Law

1. Pursuant to Section 854 of the Public Utilities Code, this Commission has jurisdiction to consider the acquisition of control of Utility by Buyers.

2. Acquisition of control of Utility by Buyers is not adverse to the public interest.

3. The application should be granted as provided in the order which follows.

4. The effective date of this order should be the date hereof.

5. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Nicholas Limer, et al., may control Deer Lake Water Corporation.

2. Utility is ordered to perform the improvements described in Appendix A.

A. 59135 - U/km

3. Utility shall submit semiannual progress reports on performance of the improvements described in Appendix A, until such time as the improvements are completed.

4. Within ten days after completion of transfer, Buyers shall notify the Commission, in writing, of the date of assuming control.

The effective date of this order is the date hereof.

Dated APR 15 1980, at San Francisco, California.

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President  
*Vernon R. Sturgeon*  
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*Richard D. Howell*  
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*Charles J. ...*  
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*Samuel J. ...*  
Commissioners

Commissioner John E. Bryson,  
being necessarily absent, did  
not participate.

March 12, 1980

Mr. J. Wesley Gebb, R.S.  
Environmental Specialist IV  
1111 East Mill Street  
Building 1  
San Bernardino, California 92415

Public Utilities Commission  
State Office Building  
107 S. Broadway  
Room 5109  
Los Angeles, California 90012

Re: Acceptance of Improvements for Deer Lake Water

Gentlemen:

We, the undersigned applicants to purchase Deer Lake Water, Inc., a California Corporation from Mr. William Noe, do herein consent and approve the recommendations made by J. Wesley Gebb of the Environmental Health Department (EED) to improve the water supply of the Deer Lake Water Company on the following terms and conditions:

That the undersigned applicants shall have no responsibility whatsoever for advancing any funds and taking any actions until or unless the Public Utilities Commission approves the application to transfer and sell the stock of the company, which has been on file since September, 1979.

That the undersigned applicants understand and agree with Environmental Improvement Agency (EED) that the drinking water situation in Deer Lodge Park is an EMERGENCY and that the Public Utilities Commission should act rapidly to assure safe drinking water to the Deer Lake Water customers.

That once the application has been approved, the undersigned applicants will take the following action:

(EED RECOMMENDATION): Retain the services of at least a Class I Water Treatment Operator and employ a person to work as operator-in-training under the direct supervision of the certified operator. The certified operator shall be retained until such time as the operator-in-training becomes certified.

RECOMMENDATION ACCEPTED, with the



understanding that Mr. Andrew Sammut would be the Water Treatment Operator hired at \$400.00 per month for services to be rendered one day per week, and that Mr. Robert Bernier would be hired to serve as the operator-in-training

(EED RECOMMENDATION): Install a continuous turbidity meter, turbidity recorder, and an automatic control until for monitoring the tunnel turbidity level and controlling the use of the tunnel water supply. The pump(s) and valve(s) will be controlled in such a manner that the tunnel water will be discharged to waste when the water exceeds one (1) turbidity unit and the well(s) or other new sources will begin supplying the system automatically.

RECOMMENDATION ACCEPTED, with the understanding that a civil engineer would be hired by Deer Lake Water to engineer suitable devices to provide safeguards for tunnel turbidity exceeding one (1) unit, and that the plans be submitted to the Environmental Improvement Agency, San Bernardino County within 120 days of PUC Application Approval, and that once the county has approved and accepted the plans and issued a construction permit that the work of improvement be completed within 90 days thereafter.

(EED RECOMMENDATION): Immediately utilize Well No. 2 as the source of water supply until such time the tunnel water supply monitoring and control equipment has been installed and is operating properly. This requirement will necessitate a change in the arrangement of the existing booster pump and tank facilities located at the tunnel. Well No. 1 may be utilized as a standby water source. Well No. 1 must be sampled for bacteriological quality prior to being placed into service.

RECOMMENDATION ACCEPTED, with the understanding that the work of replumbing of Well No 2 as indicated shall be perfected within 45 days after the PUC Application Approval.

(EED RECOMMENDATION): The continued use of Well No. 1 as a standby or primary source will require the reconstruction of the well pit. The pit shall be constructed of poured reinforced concrete with a watertight manhole cover and a gravity drain pipe.

RECOMMENDATION ACCEPTED, with the understanding that the work of improvement on Well No. 1 shall be completed within 90 days after the PUC Application Approval.

(KED RECOMMENDATION): Well No. 3 and 4 must be properly completed prior to October 11, 1980.

RECOMMENDATION ACCEPTED, with the understanding that Well No. 3 will be completed by October 11, 1980, and Well No. 4 will be completed or destroyed by that date to be determined by Deer Lake Water after engineering. (As to Well No. 4 there may be a better source of water developed by Deer Lake Water Corporation.

(KED RECOMMENDATION): A standby service connection with Crestline-Lake Arrowhead Water Agency or Lake Arrowhead Community Services District should be obtained at the earliest possible date.

RECOMMENDATION ACCEPTED, with the understanding the the applicants have no direct method of forcing either the Crestline-Lake Arrowhead Water Agency or Lake Arrowhead Community Services District to render service. Mr. Robert Massey, Manager, Crestline-Lake Arrowhead Water Agency, has represented to A. Brent Carruth that the engineering for the connection line to Deer Lake Water is complete and that the water line will be constructed in the Summer of 1980. John Dahlke of C.M Engineering confirmed with Crestline-Lake Arrowhead Water Agency engineers that the engineering plans are completed and waiting for bids.

(KED RECOMMENDATION): Low-level alarms should be installed on the two storage tanks in addition to the existing water level control probes.

RECOMMENDATION ACCEPTED, with the understanding that a civil engineer shall be hired by Deer Lake Water to engineer suitable devices to monitor water levels at the tanks, and said plans shall be submitted to the Environmental Improvement

Agency, San Bernardino County within 120 days following PUC Application Approval, and that once the County has approved and accepted the plans and issued a construction permit that the work of improvement shall be completed within 90 days thereafter.

It is understood and agreed that timely compliance with the accepted recommendations within this letter shall assure adequate water supply and quality in Deer Lodge Park, wherein addition service connections could be made to partially offset the cost of the work which will be undertaken by the terms of the accepted proposal.

Respectfully Submitted,

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