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ORIGINAL

Decision 93690 NOV 3 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation )  
to Determine Whether Meadowbrook )  
Water Company, Inc. is Unable or )  
Unwilling to Adequately Serve )  
its Ratepayers or is Unresponsive )  
to the Rules or Orders of the )  
Commission Pursuant to Section 855 )  
of the Public Utilities Code. )

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(Filed September 1, 1981)

SECOND INTERIM OPINION AND ORDER

On October 6, 1981, the Commission issued Decision (D.) 93596 which ordered the Executive Director of this Commission to immediately seek and appoint a qualified person or entity to manage the affairs of Meadowbrook Water Company, Inc. (MB) until a court-appointed receiver assumes those duties. The decision concluded that an emergency condition exists for the approximately 146 MB customers in the Crest Park subdivision in the Lake Arrowhead area of San Bernardino County in that there is no person responsible for the day-to-day operations of MB.

Ernest E. Hanson, owner of all of the capital stock of MB (D.93488), will not exercise direct control over or management of MB's operations. John F. Rausch has resigned as president and board member of MB, and his wife Violet Rausch has resigned as secretary and board member of MB, as of September 14, 1981. Rausch will no longer exercise control over or management of MB. As of this date, the Rauschs' have in their possession all cash, bank accounting records, other books and records, and the corporate seal of MB. Consequently, numerous MB customers have

elected to send checks to the Commission in the amount of their current bills rather than to Rausch. Those checks are being held by our Consumer Affairs Branch awaiting the appointment of a receiver or an interim manager at which time they will be released.

The minutes of the regular meeting of the Board of Directors of the Crestline-Lake Arrowhead Water Agency (CLAWA), held on October 1, 1981, reflect that as of that date MB was 60 days in arrears for water sold to the utility by CLAWA, for a total due of \$2,873.20. A motion was made and passed by the Board to help MB by extending the shutoff date of the water supply until November 1, 1981, giving MB an opportunity to pay at least the July water bill of \$967.48 before that date, thus preventing the water from being shut off. This extension was conditioned as well upon the immediate appointment of a receiver or interim manager for MB.

The Commission is in the process of seeking a permanent receiver that will best serve the interests of MB. In the interim, in order to meet immediate the emergency condition that exists, the Commission appoints the Meadowbrook Homeowners Association (MHA), headed by Raymond B. Rucker, a resident of Crest Park and a customer of MB, as temporary manager of MB. Viola Hauser will be appointed as the representative of the Association in its capacity as temporary manager. We will waive the \$5,000 surety bond imposed upon the temporary manager in D.93596, having determined that the bond is not necessary and that MHA is the most qualified interim manager for the following reasons: MHA's members are residents of Crest Park and customers of MB and have actively followed the developments in this matter; MHA is supported by the majority of the customers of MB; the members of MHA have a vested interest in the successful operation of the utility as residents and as owners of the serviced area;

the members are reliable and would not jeopardize their status in their own community; CLAWA has committed itself, as noticed in the October 1, 1981 minutes of its board of directors meeting, to provide the interim manager with the assistance of its staff and counsel in ensuring that MB arrives "at a logical and feasible approach to financing correction of the Meadowbrook Water System"; CLAWA, during a telephone conversation with the Public Utilities Commission Staff recommended that MHA be appointed interim manager.

We give MHA the right to enter, operate, and maintain Meadowbrook Water Company, to collect and deposit all revenues due CLAWA and pay such bills and make such expenditures as it deems in the best interest of the customers of MB. In so doing it should be understood by all concerned that MHA is not personally assuming any of the past or present indebtedness of MB.

IT IS ORDERED that:

1. Meadowbrook Homeowners Association (MHA) is authorized to enter, manage, and operate MB until further order of the Commission.

2. In performance of its management duties, MHA may bill and collect all revenues for water and utility service received. It may endorse all checks made out to MB and shall deposit them in a separate account. It may draw against that account to pay its management expenses, for repairs to the utility system, and for any other routine expenses to the extent that it has revenue from the operation of the system.

3. The checks and moneys forwarded to this Commission by customers of MB having since been impounded are to be released to MHA in its capacity as temporary manager of MB.

4. John F. Rausch, Ernest E. Hanson, and our staff are directed to turn over the corporate seal, all cash, bank accounts, and books and records of MB in their possession to MHA.

5. This is an unforeseen emergency that requires the Commission's immediate attention and which requires consideration by the Commission without prior public notice.

This order is effective today.

Dated NOV 3 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.*



The signature is written in cursive over a circular embossed seal. The seal contains the text "COMMISSIONERS OF THE PUBLIC UTILITIES COMMISSION" around the perimeter and "SAN FRANCISCO" at the bottom. The signature is "John E. Bryson".