

Decision No. 31926

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARVIN WATER COMPANY,
a corporation, at Arvin, Kern County,
California, for an order authorizing
said Arvin Water Company to issue a
note in the sum of \$14,000. and exe-
cute a mortgage on its physical pro-
perties to secure the payment of such
note.

Application No. 22651

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing had on April 12th before Examiner Fankhauser, Arvin Water Company asks permission to issue a note for the sum of \$14,000.00 and execute a mortgage to secure the payment of such note.

Arvin Water Company is engaged in the business of operating a public utility water system in the Town of Arvin in Kern County. The 1938 annual report filed with the Commission shows that as of December 31, 1938, it had 300 active service connections and that for the year 1938 its operating revenues amounted to \$8,505.55.

Its operating expenses for the year 1938, including \$700.31 for depreciation, are reported at \$5,818.98, leaving net operating revenues of \$2,686.57.

The investment in its water properties as of December 31, 1938 is reported at \$36,859.68.

Applicant has made arrangements to borrow \$14,000.00 from the Reconstruction Finance Corporation and the Bank of America National Trust and Savings Association, Bakersfield Branch. The loan will be represented by a note bearing interest at the rate of 5% per annum. The principal is payable at the rate of \$225.00 per month, beginning one month after the date of the note. The balance is payable on or before

five years from the date of the note. The proceeds realized from the proposed note issue will be expended by applicant for the following purposes:-

To install 4" water mains and sand trap at well site	\$ 2,656.96
To purchase new pump	3,120.00
Connect fire hydrants	2,560.00
To pay note due Anglo California National Bank	2,261.67
To pay amount due J. W. Heard, Jr.	1,256.00
To pay miscellaneous debts	16.11
To pay Arvin Realty Company in part	<u>2,917.30</u>
Total	<u>\$14,788.04</u>

The testimony shows that through the expenditure of \$2,656.96 for new pipe lines and sand trap applicant can add 48 new consumers to its system and also improve the service to some of its present consumers. The testimony further shows that applicant now has one well equipped with a 15 Horse Power motor and another well equipped with a 30 Horse Power motor. Combined, the two wells can produce 665 gallons of water per minute. It appears that this quantity is not sufficient during the peak demand. Applicant therefore proposes to acquire a new pump which will have a capacity of producing at least 780 gallons per minute and use the present 30 Horse Power pump for emergency purposes only.

The testimony further shows that there has recently been organized the Arvin Fire Protection District. The District proposes to install 35 fire hydrants. Applicant in turn will connect its water system with such fire hydrants as the District may install. The cost of connecting the fire hydrants, as indicated above, is estimated at \$2,560.00.

During 1938 applicant found it necessary to borrow from the Anglo California National Bank \$2,261.67 for the purpose of paying for improvements to its system. It has also been necessary for applicant to borrow funds from the Arvin Realty Company. Further, it

appears that applicant has not been able to pay J. W. Heard, Jr. for legal services rendered in connection with obtaining a certificate of public convenience and necessity to operate a public utility water system, in securing a franchise and organizing applicant corporation.

Applicant has filed with the Commission a copy of its proposed mortgage of chattels and of real property. In such mortgage applicant covenants that it will maintain an accounting system satisfactory to the mortgagee, Bank of America National Trust and Savings Association. It is of record that the mortgagee will not require applicant to keep its accounts in a manner different from that prescribed by the Railroad Commission. With this understanding we find the mortgage to be in satisfactory form.

O R D E R

Arvin Water Company having asked permission to issue a note in the sum of \$14,000.00 and execute a mortgage of chattels and of real property, the Commission having considered applicant's request and it being of the opinion that the money, property or labor to be procured or paid for by the issue of such note is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order, therefore,

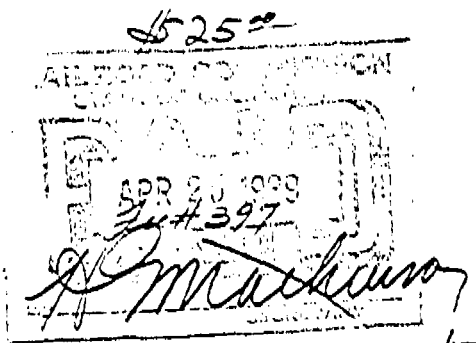
IT IS HEREBY ORDERED as follows:-

1. Arvin Water Company may, after the effective date hereof and prior to October 1, 1939, issue its note in the principal sum of \$14,000.00, such note to be substantially in the same form as the note filed in this proceeding as Exhibit F.
2. Arvin Water Company shall use the proceeds realized from the issue of said note to extend and improve its water system,

and pay in part the indebtedness referred to in the foregoing opinion.

3. Arvin Water Company may execute a mortgage of chattels and of real property in substantially the same form as the mortgage of chattels and of real property filed in this proceeding, provided that the authority herein granted to execute a mortgage of chattels and of real property is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage of chattels and of real property as to such other legal requirements to which said mortgage of chattels and of real property may be subject.
4. The authority herein granted will become effective when Arvin Water Company has paid a filing fee of Fifty(\$50.) Dollars required by Section 57-1/2 of the Public Utilities Act, and the minimum fee of Twenty-five(\$25.) Dollars required by Section 57 of the Public Utilities Act.
5. Arvin Water Company shall keep such record of the issue of the note 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-A, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 19th day of April, 1939.



Frank R. ...
Carl ...
Justice J. ...
Commissioners