

Decision No. 100503

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of R. W. Adcock and Katharine L. Adcock, doing business under the firm name and style of ADCOCK WATER CO., for permission to execute and issue promissory note or notes and Deed of Trust and Chattel Mortgage to The Salinas National Bank, a corporation.

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Application No. 24049

BY THE COMMISSION:

OPINION AND ORDER

This is an application by R. W. Adcock and Katharine L. Adcock, doing business under the firm name and style of Adcock Water Co., for an order authorizing the execution of a deed of trust and a mortgage of chattels and the issue of a promissory note, or notes in the principal amount of \$20,300.00

Applicants are engaged in operating a public utility water system near Salinas. In summary form, the results of their operations during the last three calendar years have been reported as follows:

	<u>1938</u>	<u>1939</u>	<u>1940</u>
Operating revenues	\$ 2,224.17	\$ 2,752.19	\$ 5,105.80
Operating expenses	<u>1,906.47</u>	<u>1,541.67</u>	<u>2,693.05</u>
Net operating revenues	\$ 317.70	\$ 1,210.52	\$ 2,412.75
Interest charges	<u>295.61</u>	<u>484.82</u>	<u>564.55</u>
Balance	<u>\$ 22.09</u>	<u>\$ 725.70</u>	<u>\$ 1,848.20</u>
Number of consumers, December 31	<u>119</u>	<u>201</u>	<u>435</u>

As of December 31, 1940, applicants report their investment in fixed capital at \$33,779.05, their cash at \$2,633.12 and

their accounts receivable at \$1,824.95 making a grand total of \$38,242.12. The investment of \$38,242.12 is, in applicants' balance sheet, offset by the following:

Long-term debt	\$ 8,389.42
Accounts payable	6,709.23
Consumers' advances for construction	10,300.22
Donations in aid of construction	531.58
Reserve for depreciation	4,162.49
Proprietors' investment and surplus earnings	<u>8,149.18</u>
Total	<u>\$38,242.12</u>

It has been reported in this and in previous proceedings before the Commission that in order to meet increasing demands for service applicants have found it necessary to borrow funds from time to time. The foregoing statement shows that at the close of 1940 the company had outstanding long-term debt of \$8,389.42 which was represented by a 6% note due Monterey County Trust and Savings Bank, payable in monthly installments of \$10 per \$1,000 of indebtedness.

It is reported in the present proceeding that applicants, during 1941, will find it necessary to use approximately \$4,000 to repay advances for construction heretofore made to them by subdividers and \$7,700 to finance the cost of additions as follows:

Additional land and a 325 foot, twelve inch well	\$2,000.00
20 h.p. deep well turbine high pressure pump	1,200.00
2,000 feet of 6 inch main	1,500.00
200 meters and service installations	2,500.00
Incidental expenditures	<u>500.00</u>
Total	<u>\$7,700.00</u>

Applicants propose to borrow from The Salinas National Bank, not exceeding \$20,300 to enable them to pay the outstanding long-term debt and to provide the amounts necessary to repay

amounts due, or to become due subdividers and to finance the cost of the proposed plant additions. The sums shown in the application for these three purposes aggregate \$20,089.42, although it appears that when applicants made their preliminary application to the bank, prior to December 31, 1940, the amount of the unpaid long-term debt at that time aggregated \$8,600.00, which would make up the \$20,300 referred to herein and in the request in this proceeding. Applicants further propose to execute a deed of trust and a mortgage of chattels to secure the repayment of the money they now propose to borrow. Copies of said instruments were filed with the Commission on April 9, 1941.

The note to be issued in evidence of the money borrowed will bear interest at the rate of 6% per annum, payable quarterly. The principal will be payable in monthly installments of \$10 per \$1,000 of indebtedness for a period of ten years. In ten years the unpaid balance becomes due and payable.

The Commission has considered this matter and is of the opinion that the proposed deed of trust and the proposed mortgage of chattels are in satisfactory form, that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the issue of the note is reasonably required by applicants for the purposes specified herein and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore

IT IS HEREBY ORDERED that R. W. Adcock and Katharine L. Adcock, doing business under the firm name and style of Adcock Water Co., be, and they hereby are, authorized to execute a deed of trust and a mortgage of chattels in, or substantially in, the same form as those filed in this proceeding on April 9, 1941; to

execute a 6% promissory note, in the principal amount of not exceeding \$20,300; principal and interest payable as indicated herein, and to use so much of the proceeds as may be necessary to pay the outstanding long-term debt (not exceeding \$8,389.42), to repay approximately \$4,000 due, or to become due subdividers for advances for construction and to finance the estimated cost of approximately \$7,700 for plant additions and incidental expenditures as set forth herein, provided that -

1. The authority herein granted to execute a deed of trust and a mortgage of chattels 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 deed of trust and mortgage of chattels as to such other legal requirements to which said deed of trust and mortgage of chattels may be subject.

2. The authority herein granted will become effective when applicants have paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars, and

3. Within thirty (30) days after the execution of the deed of trust, mortgage of chattels and note under the authority herein granted, applicants shall file a copy of each with the Railroad Commission, and

4. Applicants shall file monthly reports on or before the 25th day of each month showing the purpose for which they expended the moneys received by them through the issue of the note herein authorized, said reports to be filed so long as any of such moneys remain unexpended, and

5. Any moneys, received through the issue of the note

herein authorized, not needed for the purposes specified herein shall be used only for such purposes as the Commission may authorize in subsequent orders.

Dated at San Francisco, California, this 29th day of April, 1941.

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Francis R. Havenner
Commissioners

\$25⁰⁰

RAILROAD COMMISSION
STATE OF CALIFORNIA

PAID

MAY 2 1941

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SECRETARY