

Decision No. 39968

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
ARVIN WATER COMPANY, a corpora- )  
tion, )  
at Arvin, Kern County, California; )  
for authority to borrow money and )  
execute a note and chattel mortgage )  
and deed of trust to secure the )  
repayment of the same. )  
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Application  
No. 28190

O P I N I O N

This is an application by Arvin Water Company, a corporation, for authority to issue notes in the principal amount of \$100,000 and to execute a deed of trust and mortgage of chattels for the purpose of paying indebtedness and of financing the cost of additions and extensions to its properties.

Applicant is engaged in the business of selling water for domestic, industrial and other purposes in the vicinity of the City of Arvin, Kern County. It has reported its operating revenues at \$18,251.39 in 1944, at \$20,097.24 in 1945 and at \$24,993.49 in 1946, and its profit at \$2,253.30 in 1944, at \$2,427.27 in 1945 and at \$5,022.66 in 1946. As of December 31, 1946, it reports its assets and liabilities as follows:

Assets

Cash	\$ 736.34
Materials and supplies	1,338.40
Accounts receivable	383.98
Physical properties	<u>95,430.13</u>
Total assets	<u>\$97,888.85</u>

Liabilities

Notes payable	\$14,242.92
Accounts payable	12,666.26
Consumers' deposits	115.35
Consumers' advances	4,029.08
Depreciation reserve	21,710.80
Capital stock	27,000.00
Surplus	<u>18,124.44</u>
Total liabilities	<u>\$97,888.85</u>

The company's reports show that its net investment in physical properties increased \$20,856.60 in 1945 and \$6,938.07 in 1946. It appears that its income has been insufficient to enable it to meet its additional capital requirements and that accordingly it found it necessary to borrow certain sums to proceed with its construction program. At this time it reports that it is indebted to Arvin Realty Company on open account in the amount of \$11,025.25, and to Bank of America National Trust and Savings Association, on a long term 5% note, in the amount of \$13,792.92. The issue of such note has previously been authorized by the Commission by Decision No. 37757, dated March 27, 1945, as amended.

Applicant further reports that in order to meet increasing demands for service it will be required to make additional capital improvements as follows:

Land purchases, easements, etc.	\$ 1,100.00
Well costs - casing, drilling, gravel, cement, etc.	14,439.20
Pump and motor	7,500.00
Switchboard and regulator	716.80
Sand trap and air release	836.40
Transmission mains	4,478.00
Distribution mains	4,029.08
Services - pipe and meters	<u>2,082.35</u>
Total	<u>\$25,181.83</u>

In order to obtain funds to pay the indebtedness in favor of Arvin Realty Company and Bank of America National Trust and Savings Association, referred to herein, and to provide the

cost of the extensions to its properties, applicant now proposes to borrow the sum of \$60,000 from Bank of America National Trust and Savings Association, said sum to be represented by a note payable in equal monthly installments over a period of ten years, with interest at the rate of 4½ percent per annum, also payable monthly. The note will be secured by a deed of trust upon applicant's real properties and by a mortgage of chattels upon its pipelines, equipment and other tangible personal properties. The payment of the note will be guaranteed by Arvin Realty Company.

Applicant further reports that the increase in the demand for water service will call for capital expenditures in addition to those referred to herein and that it proposes to borrow additional sums not to exceed \$40,000. It has not, however, furnished us with sufficient information upon which we can base an order at this time authorizing the issue of notes for this additional amount. The order herein accordingly will be limited to the issue of the \$60,000 note and the execution of the deed of trust and the mortgage of chattels. Upon the filing by the company of additional information showing the purposes and necessity for the issue of the additional notes, we will give the matter further consideration.

O R D E R

Arvin Water Company having applied to the Public Utilities Commission for permission to issue a note and to execute a deed of trust and a mortgage of chattels, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary in this matter and that the money,

property or labor to be procured or paid for through the issue of a note for \$60,000 is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Arvin Water Company, after the effective date hereof and on or before April 30, 1947, may execute a deed of trust and a mortgage of chattels in substantially the same form as those filed in this proceeding, and may issue a 4 1/2 percent note in the principal amount of \$60,000, principal and interest payable in monthly installments over a period of ten years from the date of such note for the following purposes:

To pay outstanding note in favor of Bank of America National Trust and Savings Association	\$13,792.92
To pay indebtedness to Arvin Realty Co.	11,025.25
To finance the cost of capital additions referred to in the preceding opinion	<u>35,181.83</u>
Total	<u>\$60,000.00</u>

2. Arvin Water Company shall file with the Commission, on or before March 15, 1947, a copy of the note, the deed of trust and the mortgage of chattels as actually executed under the authority herein granted, and shall, also file from time to time reports as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when Arvin Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Forty-seven.

(\$47.00) Dollars.

Dated at San Francisco, California, this 11th day  
of February 1947.

Harold P. Kula  
Justice J. Casper  
Justice Powell  
R. J. Dutton  
Samuel Potter  
Commissioners

