

Decision No. 40710

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )  
 of MOUNTAIN PROPERTIES, INC., )  
 a California corporation, to )  
 issue its promissory note and )  
 to mortgage its properties. )  
 ----- )

**ORIGINAL**Application  
No. 28699O P I N I O N

This is an application by Mountain Properties, Inc., for permission to execute a deed of trust and a mortgage of chattels and to issue a note for \$35,000.00 for the purpose of paying indebtedness, of financing the cost of additions to its plants and of providing working capital.

Mountain Properties, Inc., is engaged in the operation of several small water plants in Orange and Los Angeles Counties. It reports its assets and liabilities, as of June 30, 1947, as follows:

<u>ASSETS</u>		
Fixed capital	\$180,894.78	
Less depreciation reserve	<u>21,839.58</u>	\$159,055.20
Current assets-		
Cash	\$ 39.40	
Accounts receivable	1,386.19	
Materials and supplies	<u>5,947.10</u>	
Total current assets		7,372.69
Miscellaneous investments		<u>8,095.90</u>
Total		<u>\$174,523.79</u>

<u>LIABILITIES</u>		
Notes and mortgages payable		\$ 70,576.00
Current liabilities		
Accounts payable	\$ 6,875.36	
Contracts payable	1,522.10	
Consumers' deposits	3,262.79	
Accrued taxes	<u>939.86</u>	
Total current liabilities		12,600.11
Donations in aid of construction		47,782.82
Common stock		20,700.00
Surplus		<u>22,864.86</u>
Total		<u>\$174,523.79</u>

The company's financial reports show that its business and properties have been expanding rapidly. It reports operating revenues of \$21,048 in 1944, of \$25,474 in 1945, of \$31,676 in 1946 and of \$18,855 in the first six months of 1947. The reported number of active service connections increased from 878 at the beginning of 1944 to 1,526 at the close of 1946. Its investment in fixed capital increased from \$69,221.23 on January 1, 1944 to \$180,894.78 on June 30, 1947.

The company has financed the cost of its water systems in part through the issue of notes to the Reconstruction Finance Corporation. By Decision No. 37766, dated April 3, 1945, it was authorized to issue to said corporation a note for \$10,000.00 payable in monthly installments of \$250.00 with interest at the rate of 4% per annum, and by Decision No. 39445, dated October 1, 1946, a note for \$20,376.00 payable in monthly installments of \$400.00 with interest at the rate of 4% per annum. The first note has been repaid and the principal amount of the second has been reduced to \$17,576.00.

The present application shows that the company, in order to provide for the expansion and development of its systems, has made arrangements to borrow the additional sum of \$35,000.00 from the Reconstruction Finance Corporation for the following

purposes:

To retire the existing indebtedness in favor of the Reconstruction Finance Corporation	\$17,576.00
To purchase and install 7,500 feet of 4-inch transite or steel pipe to repair and extend existing pipelines	9,311.00
To drill a new well and install a tank and pump at Laurel Square and Walnut Acres	3,000.00
To purchase and install 100 meters	2,500.00
To provide working capital	<u>2,613.00</u>
Total	<u>\$35,000.00</u>

The new loan will be represented by a note for \$35,000.00 payable in monthly installments of \$416.66 plus interest at the rate of 4% per annum on the unpaid balance, and will be secured by a deed of trust and a mortgage of chattels. Copies of the proposed note, the deed of trust and the mortgage of chattels have been filed in this proceeding as Exhibits "B", "C" and "D", respectively.

In addition, the Reconstruction Finance Corporation requires J. L. Lyon, who owns 85% of applicant's outstanding stock, to pledge such stock as collateral security for the loan and to execute a standby agreement subordinating the payment of any amount due him from applicant, to the payment of the note to be issued to the Reconstruction Finance Corporation. Further, applicant is required to execute additional documents as follows: (a) an after acquired property agreement subjecting such property to the lien of the Reconstruction Finance Corporation; (b) an agreement that no cash dividends will be paid on the outstanding stock without the prior written consent of the Reconstruction Finance Corporation; and (c) an agreement that applicant shall not, without the prior written consent of the Reconstruction Finance Corporation, purchase in any one calendar month, fixed assets in excess of \$500.00.

It is reported that these additional documents will be in form similar to those heretofore required of and executed by applicant in obtaining its former loans from the Reconstruction Finance Corporation.

### O R D E R

The Commission has considered the request of Mountain Properties, Inc., and is of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by applicant through the issue of the \$35,000 note is reasonably required by it for the purposes herein stated, and that this application should be granted, subject to the provisions of this order, therefore,

#### IT IS HEREBY ORDERED as follows:

1. Mountain Properties, Inc., may, after the effective date hereof and on or before December 31, 1947 issue its promissory note for the sum of not exceeding \$35,000 with interest at the rate of not exceeding 4% per annum, payable monthly, said note to be in substantially the same form as the note on file in this application as Exhibit "B". Mountain Properties, Inc., shall use the proceeds realized through the issue of said note for the following purposes:

To retire the existing indebtedness in favor of the Reconstruction Finance Corporation	\$17,576.00
To purchase and install 7,500 feet of 4-inch transite or steel pipe to repair and extend existing pipelines	9,311.00
To drill a new well and install a tank and pump at Laurel Square and Walnut Acres	3,000.00
To purchase and install 100 meters	2,500.00
To provide working capital	<u>2,613.00</u>
Total	<u>\$35,000.00</u>

2. Mountain Properties, Inc., may, for the purpose of securing the payment of said note for \$35,000, execute and deliver a deed of trust and a mortgage of chattels in form similar to those on file in this application as Exhibits "C", and "D", respectively, and may execute the additional agreements referred to in the preceding opinion.

3. The authority herein granted will become effective when Mountain Properties, Inc., has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.

4. Within thirty (30) days after the issue of said note, Mountain Properties, Inc., shall file with the Commission a copy of the deed of trust, a copy of the chattel mortgage, a copy of the note, and a copy of each of the additional agreements referred to herein, as executed. It shall also, from time to time, file reports required by the 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 16<sup>th</sup> day  
of September 1947.

Harold A. Lusk  
Justice D. C. Quinn  
W. A. Kippel  
A. T. Smith

Commissioners

