

ORIGINAL

Decision No. 40793

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 to)
execute a note and chattel mortgage)
and deed of trust to secure the repay-)
ment of the same.)
-----)

Application
No. 28778

O P I N I O N

In this application, Arvin Water Company asks permission to issue to the Bank of America National Trust and Savings Association its promissory note in the sum of \$40,000 and to execute a deed of trust and a mortgage of chattels to secure the payment of such note, all for the purpose of obtaining funds to refund indebtedness and pay the cost of meters and main extensions.

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, California. For 1945, applicant reports operating revenues of \$20,097.24 and a net profit of \$2,427.27. For 1946 its operating revenues amounted to \$24,993.49 and its net profit to \$5,628.50. For the nine months ending September 30, 1947, applicant reports operating revenues of \$22,012.78 and a net profit of \$5,199.25.

As of September 30, 1947, applicant's balance sheet shows assets and liabilities as follows:

<u>Assets</u>	
Physical property	\$153,182.14
Cash	43.48
Accounts receivable	1,377.10
Material and supplies	<u>4,166.21</u>
Total Assets	<u>\$158,768.93</u>
<u>Liabilities</u>	
Capital stock	\$ 27,000.00
Notes payable	57,220.81
Due Arvin Realty Company	21,364.68
Accounts payable	2,886.86
Tax accruals	280.96
Consumers' service donations	132.05
Consumers' advances	4,879.08
Depreciation reserve	21,074.96
Surplus	<u>23,929.53</u>
Total Liabilities	<u>\$158,768.93</u>

To finance some of the improvements made to its water system applicant has borrowed \$21,364.68 from the Arvin Realty Company. Applicant is presently engaged in converting its flat rate service to metered service. It estimates that this will entail an expenditure of about \$8,800. It also proposes to extend its distribution system by installing 500 feet of eight-inch and 6,105 feet of six-inch pipe. It estimates the cost of these main extensions at \$9,835.32.

For the purpose of paying its indebtedness due Arvin Realty Company, to pay the cost of installing meters and making the main extensions, applicant has arranged to borrow \$40,000 from the Bank of America National Trust and Savings Association. Such loan is to be represented by a 4% note payable on demand or,

if no demand is made, then in monthly installments of \$405. The payment of the note will be secured by the execution of a mortgage of chattels and by a deed of trust. A copy of the note, a copy of the mortgage of chattels, and a copy of the deed of trust are on file in this application as Exhibits "A", "B" and "C", respectively. The payment of the note will also be guaranteed by the Arvin Realty Company.

O R D E R

The Commission has considered the request of Arvin Water Company 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 the issue of a \$40,000 note by Arvin Water Company is reasonably required by it for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Arvin Water Company may, after the effective date hereof and on or before November 30, 1947, issue at not less than its face amount a note in the principal amount of not exceeding \$40,000, said note to be in, or substantially in, the same form as the note on file in this application as Exhibit "A". Arvin Water Company shall use the proceeds realized through the issue of said note for the purpose of paying indebtedness due Arvin Water Company and to pay, in whole or in part, the cost of the

improvements to which reference is made in the foregoing opinion and in Exhibit "E" on file in this application.

2. Arvin Water Company, for the purpose of securing the payment of said note, may execute a mortgage of chattels and a deed of trust in, or substantially in, the same form as the mortgage of chattels and the deed of trust on file in this application as Exhibits "B" and "C", respectively.

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 (\$40.00) dollars.

4. Within four (4) months after the issue of the note herein authorized, Arvin Water Company shall file with the Commission a copy of the deed of trust, a copy of the mortgage of chattels, and a copy of the note executed under the authority herein granted, together with a statement showing the purposes for which it expended the proceeds realized through the issue of said note.

Dated at San Francisco, California, this 10th day of October, 1947.

Harold P. Hill
Justus F. Cameron
W. H. Kull
A. J. ...
Commissioners

