

**ORIGINAL**Decision No. 43735

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 George I. and Gladys N. Bumgardner, doing )  
 business as the George Bumgardner Water Company )  
 for an Order for the Approval of a Construction ) Application  
 loan for the said George Bumgardner Water Company ) No. 30907  
 in the County of Stanislaus, State of California. )  
 ----- )

**O P I N I O N**

In this application, George I. Bumgardner and Gladys N. Bumgardner, his wife, doing business as the George Bumgardner Water Company, ask permission to execute a mortgage of chattels and a deed of trust and to issue a note for \$44,100 for the following purposes:

To pay bank loans	\$15,075
To pay unsecured notes	1,395
To pay for improvements to their water system	24,230
To pay for improvements to office and furnishings	1,400
To provide working capital	<u>2,000</u>
Total	<u>\$44,100</u>

Applicants are engaged in operating a public utility water system near Modesto, California. For the first eleven months of 1949 they report revenues of \$28,320.72 and net profit, before allowance for federal income taxes, of \$10,687. They report their assets and liabilities as of November 30, 1949, as follows:

Assets

Cash	\$ 452.05
Materials and supplies	1,539.29
Construction work in progress	318.93
Fixed assets	<u>98,717.99</u>
Total	<u>\$101,028.26</u>

Liabilities

Notes payable:	
Secured note-Modesto Bank & Trust Co.	\$ 16,350.00
American Trust Co.	1,066.68
A. Bradbury	<u>725.01</u>
Total notes payable	18,141.69
Accounts payable	1,721.02
Accrued payroll taxes	47.40
Consumers' advances for construction	9,241.78
Reserve for depreciation	4,523.63
Capital supplied by applicants	<u>67,352.74</u>
Total	<u>\$101,028.26</u>

It appears that applicants' water system consists of four separate units, each one complete in itself with its own wells, pumps and distributing mains. The units are not interconnected. Applicants report that it is necessary to expend approximately \$24,230 to develop and equip a new well to provide standby service, to install 6-inch mains to interconnect the system in two of the tracts they serve, and to connect dead ends with valves and fittings. They report that it is impossible to finance the cost out of their own resources and that accordingly they have made arrangements to borrow additional sums from Modesto Bank & Trust Co.

Applicants propose to borrow sufficient funds not only to pay for the improvements and additions to their properties, but also to liquidate the present balances of their outstanding notes. The sum to be thus borrowed will be represented by a note in the principal amount of \$44,100 in favor of Modesto Bank & Trust Co.,

payable in monthly installments of approximately \$550, including interest at the rate of not exceeding 5% per annum. The application indicates that arrangements are being made whereby Reconstruction Finance Corporation may participate in the loan up to 60% thereof, and that to the extent of such participation, interest will be at the rate of 4% per annum instead of 5%. The payment of the note will be secured by a mortgage of chattels and by a deed of trust.

A review of the application clearly shows that applicants have need for the funds to be obtained through the issue of the note.

O R D E R

The Public Utilities Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the application should be granted as herein provided, that the money, property or labor to be procured or paid for through the issue of a note for \$44,100 is reasonably required by applicants for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. George I. Bumgardner and Gladys N. Bumgardner, after the effective date hereof and on or before April 30, 1950, may issue a note in the principal amount of \$44,100 and may execute a mortgage of chattels and a deed of trust, which note, mortgage of chattels and deed of trust shall be in, or substantially in, the

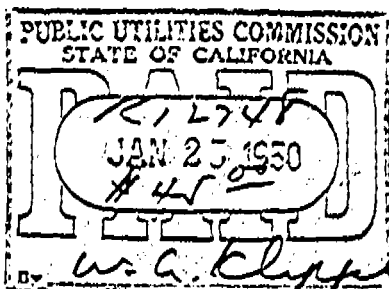
same form as those filed in this proceeding as Exhibit A, Exhibit B and Exhibit C, respectively.

2. Applicants shall use the proceeds to be received through the issue of said note for \$44,100 to pay outstanding indebtedness, to finance the cost of improvements, and to provide working capital to maintain and improve their service, as set forth in the opinion preceding this order.

3. Applicants shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order. They shall also file within thirty (30) days after their execution, a copy of the note, the deed of trust and mortgage of chattels executed under the authority herein granted.

4. The authority herein granted will become effective when applicants have paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is forty-five (\$45.00) dollars.

Dated at San Francisco, California, this 24<sup>th</sup> day of January, 1950.



D. F. [Signature]  
Justice S. [Signature]  
[Signature]  
[Signature]  
Commissioners