

ORIGINALDecision No. 44748

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MOUNTAIN PROPERTIES, INC.,)
a California corporation,) Application
to mortgage its properties.) No. 31686
-----)

O P I N I O N

This is an application by Mountain Properties, Inc. for an order authorizing it to enter into a loan agreement with Pacific Mutual Life Insurance Company, to execute a mortgage and to issue promissory notes in the aggregate principal amount of \$300,000 for the purpose of refunding outstanding indebtedness and of financing the cost of additions to its plants.

For many years, applicant has been engaged in operating water systems in portions of the Counties of Orange and Los Angeles. In financial statements filed with the Commission it has reported, for the last five years, its investment in fixed capital, the number of active service connections, and revenues and net income as follows:

	<u>Fixed Capital</u> <u>Dec. 31</u>	<u>Service</u> <u>Connections</u>	<u>Operating</u> <u>Revenues</u>	<u>Net</u> <u>Income</u>
1945	\$118,902	1,090	\$25,474	\$ 1,440
1946	159,880	1,385	31,676	86
1947	238,176	2,110	43,726	1,268
1948	306,482	2,387	64,977	3,575
1949	420,158	3,176	77,639	5,694

For the first six months of 1950 it reports operating revenues of \$45,176 and net income of \$6,778.57, after provision for income taxes and depreciation.

As of June 30, 1950, applicant's assets and its liabilities

and net worth are shown below:

<u>Assets</u>		
Fixed capital -		
Intangible capital	\$ 3,169.31	
Tangible capital	<u>462,601.01</u>	
	470,770.32	
Reserve for depreciation	<u>46,366.05</u>	
Net fixed capital		\$424,404.27
Current assets -		
Cash	94.30	
Accounts receivable	17,112.34	
Materials and supplies	13,144.25	
Other	<u>4,995.44</u>	
Total current assets		<u>35,346.33</u>
	Total	<u>\$459,750.60</u>
<u>Liabilities and Net Worth</u>		
Long-term note payable		\$150,000.00
Current liabilities -		
Notes and accounts payable	\$ 40,441.39	
Other	<u>3,273.49</u>	
Total current liabilities		43,714.88
Customers' deposits		8,936.15
Customers' advances		56,137.29
Reserve for taxes		1,500.00
Donations in aid of construction		51,139.66
Net worth -		
Capital stock	79,200.00	
Surplus	<u>69,122.62</u>	
Total net worth		<u>148,322.62</u>
	Total	<u>\$459,750.60</u>

By Decision No. 44508, dated July 11, 1950, the Commission authorized the transfer to applicant of the water system of Arvin Richardson, known as the Mesa Acres Water Company, located in Kern County.

Applicant now reports that the continued expansion and development of its water systems, and its obligation to complete the payment of the purchase price of the Mesa Acres Water Company, make it necessary for it to borrow additional sums. Subject to receiving permission from the Commission, it proposes to enter into a loan agreement with Pacific Mutual Life Insurance Company under the terms of which agreement said insurance company will advance to it, on or before

December 31, 1951, the sum of \$300,000 to be used for the following purposes:

1. To pay the present outstanding long-term note heretofore issued to Pacific Mutual Life Insurance Company under authority granted by Decision No. 43278, dated September 1, 1949	<u>\$150,000</u> -
2. To pay other indebtedness as follows:	
To Arvin Richardson in part payment for Mesa Acres Water Company	52,000 -
Short-term notes and accounts payable incurred for capital improvements	<u>33,000</u> <u>85,000</u>
3. To finance capital expenditures as follows:	
Wells, pumps and pipe lines, Kern County	18,500
Pipe lines, Los Angeles County	27,000
Pipe lines, Orange County	<u>20,000</u> <u>65,000</u>
Total	<u>\$300,000</u>

It appears that applicant will issue, on or before October 1, 1950, two promissory notes in the aggregate amount of \$235,000 for the purposes set forth in paragraphs 1 and 2, above, one note to be in the principal amount of \$150,000 payable in 1969 with interest at the rate of $4\frac{1}{2}\%$ per annum, and the other in the principal amount of \$85,000 payable in 1970 with interest also at $4\frac{1}{2}\%$ per annum. It proposes to issue, on or before December 31, 1951, a promissory note, or notes, in the aggregate amount of \$65,000 for the purposes set forth in paragraph 3, above, when and as funds are needed, said note, or notes, to be payable in 1970 with interest at the rate of $4\frac{1}{2}\%$ per annum. The payment of said notes will be secured by a mortgage covering applicant's real properties and improvements.

The loan agreement provides that the insurance company may lend applicant, from time to time, on or before July 1, 1960, additional sums not to exceed in the aggregate \$200,000. However, no request is made by applicant at this time to borrow any part of such additional sums and the order herein should not be construed as

authorizing applicant to issue notes in excess of \$300,000 principal amount. A review of the application clearly indicates that applicant has need for the proposed issues of notes in the aggregate amount of \$300,000 to pay indebtedness, to finance capital costs and to improve its financial position, and approval accordingly will be given for their issue. In the event applicant at a later date desires to issue additional notes, under the terms of the loan agreement, it will be necessary for it to file a separate application for permission to do so.

O R D E R

The Commission having considered the above entitled application 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 the notes authorized herein is reasonably required by Mountain Properties, Inc. 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. Mountain Properties, Inc., after the effective date hereof and on or before October 1, 1950, may enter into a loan agreement with Pacific Mutual Life Insurance Company in substantially the same form as that filed in this proceeding as Exhibit I, and may execute a mortgage in substantially the same form as that filed as Exhibit E to said Exhibit I.
2. Mountain Properties, Inc., after the effective date hereof and on or before October 1, 1950, for the purposes set forth in this application, may issue a note in the principal amount of \$150,000 in substantially the same form as the note filed in this

proceeding as Exhibit C to said Exhibit I, and may issue a note in the principal amount of \$85,000 in substantially the same form as that filed as Exhibit D to said Exhibit I.

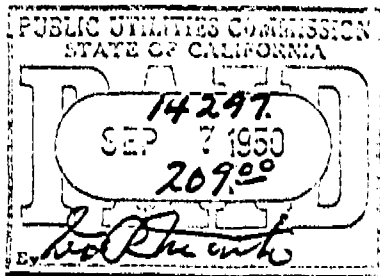
3. Mountain Properties, Inc., after the effective date hereof and on or before December 31, 1951, may issue its promissory note, or notes, in the aggregate amount of not exceeding \$65,000 in substantially the same form as that filed as Exhibit D to said Exhibit I, for the purpose of financing the cost of additions to its plants as set forth in this application.

4. Within thirty (30) days after the date of said loan agreement, mortgage and notes, applicant shall file a true copy of each with the Commission.

5. Applicant shall file with the Commission reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 1st day of September, 1950.



Justus F. Caswell
W. R. ...
Commissioners