

Decision No. 45684

ORIGINAL

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)	Application
additional shares under Section)	No. 32255
52 (b) of the Public Utilities Act.)	
-----)	

Moss, Lyon & Dunn, by George C. Lyon, for applicant;
John N. Leeper and Dorothy H. Chadwick, for
 Twenty-nine Palms Utilities Co.; Leonard P. Wikoff,
 in propria persona and for certain subdividers.

OPINION

Mountain Properties, Inc. has filed this application for authorization to issue 15,100 preferred Class B shares of stock, of the aggregate par value of \$151,000, for the following purposes:

To pay in part for the properties of Twenty-nine Palms Utilities Co.	\$ 76,000
To pay for a water system located near Wasco, Kern County	10,000
To finance the cost of additions to its presently owned water systems and to provide working capital	<u>65,000</u>
Total	<u>\$151,000</u>

Applicant also asks authority to issue 45,300 shares of its common stock, of the aggregate par value of \$45,300, for the purpose of effecting the conversion of said preferred Class B shares of stock should the holders thereof elect to surrender them in exchange for shares of common stock as permitted by applicant's articles of incorporation.

A public hearing was held on this application and on a companion application, No. 32256, involving the transfer of the

properties of Twenty-nine Palms Utilities Co., in Los Angeles on May 4, 1951. This decision will be limited to a consideration of applicant's request to issue shares of stock in payment for the properties at Wasco and for additions to plant and to provide working capital. The request to issue shares of stock in part payment for the properties of Twenty-nine Palms Utilities Co. will be held in abeyance pending a further hearing on that phase of applicant's request and on Application No. 32256.

Applicant is a California corporation organized in 1933. Its capital stock as authorized by its articles of incorporation, as amended, and the amounts of each class of stock presently outstanding, are as follows:

	<u>Par Value</u>	<u>Authorized</u>	<u>Outstanding</u>
Preferred Class A	\$10.00	\$100,000	\$ 78,000
Preferred Class B	10.00	350,000	4,000
Common	1.00	<u>200,000</u>	<u>79,200</u>
Total		<u>\$650,000</u>	<u>\$161,200</u>

The holders of the preferred Class A shares of stock are entitled to cumulative dividends at the rate of 6% per annum and the holders of the preferred Class B shares to cumulative dividends at the rate of 5% per annum, before any dividends are declared or set apart for the shares of common stock. The shares of both classes of preferred stock are redeemable at applicant's option at \$10.50 each, plus accrued dividends. The shares of the preferred Class B stock are convertible, at the option of the holders thereof, into common shares on the basis of three common shares for each preferred Class B share. The holders of the preferred shares, both Class A and Class B, have voting rights of ten votes for each share while the holders of common shares have voting rights of one vote for each share.

Applicant is engaged in operating public utility water systems in the counties of Orange, Los Angeles and Kern. It reports its investment in fixed capital, its operating revenues and net income, and the number of service connections for the last five years as follows:

	<u>Fixed Capital Dec. 31</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Service Connections</u>
1946	\$150,880	\$ 31,676	\$ (86)	1,526
1947	238,177	43,726	(1,268)	2,140
1948	306,482	64,977	3,575	2,629
1949	420,158	77,639	5,694	3,176
1950	675,034	124,992	19,785	4,777

A summary statement of applicant's assets and liabilities as of December 31, 1950, is as follows:

Assets

Fixed capital		\$675,034.41
Current assets -		
Cash	\$ 2,455.31	
Accounts receivable	44,710.23	
Materials and supplies	28,876.05	
Total current assets		<u>76,041.59</u>
Total		<u>\$751,076.00</u>

Liabilities

Long-term notes		\$229,100.00
Current liabilities -		
Notes and accounts payable	\$35,577.25	
Taxes	6,771.77	
Dividends	1,211.67	
Customers' deposits	8,836.65	
Miscellaneous	<u>4.56</u>	
Total current liabilities		52,401.90
Consumers' advances for construction		82,159.83
Reserve for depreciation		77,914.41
Donations in aid of construction		57,138.27
Capital stock		161,200.00
Surplus		<u>91,161.59</u>
Total		<u>\$751,076.00</u>

Applicant reports that the increasing number of customers requires the extension of its facilities at Barber City, at the Burbank Tract near Artesia and in Kern County, and the replenishing

of its working capital, and that it proposes to issue and sell \$65,000 par value of preferred Class B shares of stock to provide funds for these purposes, which are set forth in Exhibit 5 as follows:

\$25,000.00	Pipe installation
8,000.00	Wells
10,000.00	Reservoirs and tanks
12,000.00	Pumping equipment
<u>10,000.00</u>	Working capital
<u>\$65,000.00</u>	Total

The record shows that applicant intends, if possible, to dispose of its shares of stock, at par for cash, through its own organization but that it may employ others to sell a portion of the offering. As to such shares sold by others it proposes, and requests authorization, to pay commissions and expenses of not exceeding 5% of the proceeds.

In addition to extending its present systems, applicant proposes to enlarge its operations in Kern County through the purchase from Arvin Richardson, for \$10,000, of a water system located near Wasco consisting of a 12-inch well 250 feet deep, approximately 3,100 feet of 4-inch cast iron pipe, a 2,000 gallon steel pressure tank and a deep well turbine pump. The system has been but recently completed to meet demands for service in that locality. Applicant intends forthwith to file an application to certificate the operations.

A review of the record clearly indicates that applicant has need for additional funds from external sources to meet its requirements and to improve its financial position. In order to enable applicant to proceed at once with the issue and sale of its shares of stock and with the installation of the required extensions to its systems, an order effective as of this date will be entered.

O R D E R

A public hearing having been held in the above entitled matter and the Commission being of the opinion that an order should be entered at this time authorizing Mountain Properties, Inc. to issue shares of stock as herein provided; that the money, property or labor to be procured or paid for through such issue is reasonably required 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 date hereof and on or before December 31, 1951, may issue and sell not exceeding 6,500 of its preferred Class B shares of stock, of the aggregate par value of \$65,000, at par for cash, and use not exceeding 5% of the proceeds to pay commissions and expenses incident to the sale, and use the remaining proceeds for the purposes set forth in Exhibit 5 filed in this proceeding.

2. Mountain Properties, Inc., after the date hereof and on or before December 31, 1951, may issue not exceeding 1,000 of its preferred Class B shares of stock, of the aggregate par value of \$10,000, for the purpose of acquiring from Arvin Richardson the properties referred to in Exhibit 3 filed in this proceeding.

3. Mountain Properties, Inc., after the date hereof, may issue not exceeding 22,500 shares of common stock, of the aggregate par value of \$22,500, for the purpose of effecting the conversion of the shares of preferred Class B stock herein authorized to be issued.

4. Mountain Properties, Inc. shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 15th day of May, 1951.

R. F. Anderson
Justice F. Caswell
Harold A. Hula
Edw. L. Mitchell
Commissioners