

ORIGINAL

Decision No. 46915

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WATER WORKS OF MONTA VISTA, LTD.,)
for authority to borrow money and)
to issue note secured by mortgage.)
-----)

Application
No. 33164

O P I N I O N

This is an application for an order authorizing Water Works of Monta Vista, Ltd. to execute a mortgage and to issue a promissory note in the principal amount of \$61,000 for the purpose of paying outstanding indebtedness and of financing the cost of additional facilities.

Applicant is a corporation organized during January, 1930. It now is, and since its organization has been, engaged in the business of selling and distributing water for domestic and industrial use to the inhabitants and industries in and about the unincorporated area known as Monta Vista, located some ten miles west of San Jose in the County of Santa Clara. In its financial statements filed with the Commission it has reported its operating revenues and its net income for the last five years as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>
1947	\$20,933.12	\$(2,437.48)
1948	21,316.85	(612.01)
1949	23,297.60	2,662.90
1950	27,716.65	3,466.77
1951	32,861.12	5,950.36

The application shows that up to the close of December, 1951, applicant had invested in fixed capital the sum of \$101,141.32

and that it had financed such investment largely with moneys borrowed from Reconstruction Finance Corporation and with moneys obtained from its officers and shareholders. Its financial position as of December 31, 1951, is indicated in the following balance sheet:

<u>Assets</u>		
Current assets -		
Cash	\$ 5,222.12	
Accounts receivable	3,102.29	
Materials and supplies	2,675.19	
Prepaid expenses	8.45	
Total current assets		\$ 11,008.05
Fixed capital -		
Total amount	132,538.38	
Less-depreciation reserve	<u>31,397.06</u>	
Net fixed assets		<u>101,141.32</u>
Total		<u>\$112,149.37</u>

<u>Liabilities</u>		
Current liabilities		
Note payable to R. F. C.	\$ 2,832.09	
Amounts due officers and shareholders	27,973.59	
Consumers' advances and deposits	59,333.54	
Equity capital	8,884.57	
		<u>13,125.58</u>
Total		<u>\$112,149.37</u>

The outstanding indebtedness in favor of Reconstruction Finance Corporation represents the unpaid balance of an original indebtedness of \$35,000 incurred under authorization granted by the Commission by Decision No. 44109, dated May 2, 1950. The amount is payable in monthly installments of \$350, with interest at the rate of 4% per annum.

Applicant now desires to borrow further sums from Reconstruction Finance Corporation, to consolidate such new borrowings with the presently outstanding indebtedness, and to use the remaining proceeds to finance in part the cost of developing a new source of supply and of extending its facilities to serve a subdivision known as Carolyn Gardens. In this connection, it appears that there is pending before the Commission a formal complaint brought by E. J. Murphy

and Roosevelt Construction Company, a partnership composed of Cy Weitz and Albert Weitz, as complainants, against applicant, as defendant, for an order of the Commission requiring applicant to supply water to said subdivision which consists of 91 homesites located on the southwest corner of the intersection of Mountain View-Stevens Creek Road and Permanente Road, said complaint being designated in the Commission's files as Case No. 5336. Applicant reports that previously it has refused to commit itself to serve this subdivision upon the ground that its water resources and facilities are not adequate to assume the additional obligation for water service without jeopardizing service to existing consumers within its present service area, but that it now has made an analysis of the proposed development and has concluded it will be in its interest, as well as that of the public, to drill a new well, to install a pumping unit designed to pump 600 gallons per minute under a 625-foot head, and to lay the necessary pipe to serve the development. It estimates its expenditures for these purposes at \$40,000, as follows:

Real estate	\$ 1,500
1,000-foot rotary well	18,000
125 h.p. motor with switches, starters, and wiring	9,000
1,000 feet of 8-inch steel pipe, installed	2,000
2,400 feet of 10-inch steel pipe, installed	6,500
91 meters	2,000
Valves and fittings	<u>1,000</u>
Total	<u>\$40,000</u>

The application shows that Roosevelt Construction Company has offered applicant the sum of \$5,000, without view to reimbursement, to undertake the program, that applicant does not have sufficient funds on hand to complete the project and that it proposes to borrow substantially all of the remaining funds necessary for the additional facilities from Reconstruction Finance Corporation. It has applied for a loan in the amount of \$61,000 for this purpose and for the purpose of refinancing the present indebtedness.

The new loan will be for a term of eight years, with interest at the rate of 5% per annum, principal and interest to be repaid by monthly installments of \$500 each through May 15, 1955, and of \$650 each thereafter until date of maturity. It appears that in general such loan will be represented by a note subject to the same collateral, terms and conditions as are associated with the present outstanding loan.

A review of the application indicates that applicant will have need for the funds to be obtained from the proposed loan for the purposes indicated and that its earnings should be ample to enable it to meet its obligations under the proposed borrowing. Accordingly, an order will be entered granting applicant's request.

O R D E R

The 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 the note herein authorized is reasonably required by applicant 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. Water Works of Monta Vista, Ltd., after the effective date hereof and on or before August 31, 1952, may issue its note in the principal amount of not exceeding \$61,000 for the purposes indicated in this application, and may execute a mortgage to Reconstruction Finance Corporation in substantially the same form as the mortgage filed in Application No. 30234 and approved by Decision

No. 44109, dated May 2, 1950. Water Works of Monta Vista, Ltd. may execute such other instruments and documents as shall be required by Reconstruction Finance Corporation to consummate the loan.

2. Water Works of Monta Vista, Ltd. shall file with the Commission a copy of the note and the mortgage as actually issued and executed under the authority herein granted, together with a copy of each of such other instruments and documents as may be executed, such filing to be made within thirty (30) days after the date of such instruments, and shall file also a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when Water Works of Monta Vista, Ltd. has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is thirty-four (\$34.00) dollars.

Dated at San Francisco, California, this 1st day of

April
1952.

R. F. [Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

