

ORIGINAL

Decision No. 46919

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 GEO. D. POLLOCK, doing business as)
 the EAST MONTEREY WATER SERVICE for an) Application
 order for the approval of a construction) No. 33227
 loan for the said EAST MONTEREY WATER)
 SERVICE, in the County of Monterey,)
 State of California.)
 -----)

O P I N I O N

This is an application for an order authorizing Geo. D. Pollock, doing business as East Monterey Water Service, to encumber his property and to issue a promissory note in the principal amount of \$65,000 for the purpose of paying indebtedness and of financing the cost of additions and improvements.

Applicant is engaged in the business of supplying water to inhabitants of what is commonly known as the Seaside District, approximately three miles northeast of the City of Monterey. His operating experience during the last five years is reflected in the following tabulation:

	<u>Fixed Capital Dec. 31</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Service Connections Dec. 31</u>
1947	\$ 63,873.18	\$18,244.74	\$ 233.10	918
1948	82,791.84	22,826.01	3,642.99	1,101
1949	109,891.64	28,370.83	1,063.10	1,328
1950	143,087.89	32,365.58	2,118.63	1,485
1951	153,605.14	34,427.69	1,303.81	1,675

In his 1951 annual report to the Commission applicant reports his investment in his assets and the sources of funds to provide such investment, as follows:

Assets

Fixed capital	\$153,605.14	
Less-depreciation reserve	<u>17,989.34</u>	
Net investment in fixed capital		\$135,615.80
Current assets		<u>5,000.00</u>
Total		<u>\$140,615.80</u>

Liabilities and Net Worth

Note payable		\$ 50,578.88
Conditional sales contract		2,095.03
Consumers' deposits		1,315.00
Accounts payable		2,402.77
Proprietor's capital		<u>84,224.12</u>
Total		<u>\$140,615.80</u>

The outstanding indebtedness of \$50,578.88 represents the unpaid balance of a note in the principal amount of \$65,000 authorized by the Commission by Decision No. 43626, dated December 20, 1949. The amount is payable in monthly installments of \$950, and is secured by a mortgage of chattels and a deed of trust. The former decision indicated that the note would be issued to Salinas National Bank but that arrangements had been made, or then were being made, whereby Reconstruction Finance Corporation would participate in the loan up to 70% of the principal amount and that interest on the loan would be at the rate of 6% so far as the participation of Salinas National Bank was concerned and at the rate of 4% so far as the Reconstruction Finance Corporation was concerned.

Applicant's financial reports show that his capital investment had increased from \$12,122 at the beginning of 1947 to \$84,224.12 at the close of 1951. Applicant reports that he finds it impossible to continue to finance extensions and replacements and that he now proposes to borrow the sum of \$65,000, to be represented by a note, and to use the proceeds to refund the present indebtedness of \$50,578.88, to pay \$1,000 of accrued interest thereon, to pay

approximately \$2,500 of outstanding accounts payable, and to provide the cost, estimated at approximately \$11,500, of erecting a 105,000-gallon steel tank and of installing additional distribution mains.

The application shows that tentative arrangements have been made with Salinas National Bank for the proposed loan. It is understood by applicant that Reconstruction Finance Corporation is to participate in the loan on a 70% basis, that the loan will run for a period of eight years, and will be repaid in monthly installments of \$900 with interest at the rate of 6% per annum, except that interest will be paid at the rate of 5% on that portion subscribed by Reconstruction Finance Corporation.

It clearly appears that applicant will have need for additional funds from external sources for the purposes indicated in this application. Accordingly, an order will be entered granting its 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, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Geo. D. Pollock, after the effective date hereof and on or before September 30, 1952, for the purposes of paying indebtedness

and of financing the cost of improvements as set forth in this application, may issue a promissory note in the principal amount of not exceeding \$65,000, and may execute a deed of trust and a mortgage of chattels to secure the payment of said note, which deed of trust and mortgage of chattels shall be in, or substantially in, the same form as those filed in Application No. 30842 and approved by Decision No. 43626.

2. Within thirty (30) days after the issue of the note under the authority herein granted, applicant shall file with the Commission a copy of said note and a copy of each instrument executed to secure the payment of said note.

3. The authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is twenty-five (\$25.00) dollars.

Dated at San Francisco, California, this 1st day of April, 1952.

R. E. [Signature]
President

Justice F. Callahan
Harold H. [Signature]
Robert C. [Signature]

Commissioners

