

ORIGINAL

Decision No. 51171

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 order for the approval of a loan) Application
 for the said East Monterey Water Service,) No. 36719
 in the County of Monterey, State of) (and Amendment)
 California.)
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O P I N I O N

This is an application for an order of the Commission authorizing Geo. D. Pollock to execute a deed of trust and to issue a note in the principal amount of \$65,000.

Applicant is engaged in operating a public utility water system, known as the East Monterey Water Service, for the distribution of water to customers in and about Seaside, Monterey County. His annual reports to the Commission for the last three years show results of operations as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Oper. Revenues</u>	<u>Interest Charges</u>	<u>Net Income</u>	<u>Service Connections</u>
1952	\$39,893	\$43,468	\$(3,575)	\$(6,338)	\$(9,913)	1,718
1953	64,063	52,813	11,250	6,724	4,526	1,844
1954	73,049	58,772	14,277	9,366	4,911	1,903

By Decision No. 48224, dated February 2, 1953, the Commission approved rate schedules designed to increase applicant's annual revenues to approximately \$61,590 and to yield him a return of 6.25% on the rate base found reasonable.

It appears that applicant has invested \$262,273 in his water facilities and that he has financed his costs with his own

funds and with borrowed money. His balance sheet as of December 31, 1954, shows his assets, liabilities and capital as follows:

Assets

Utility plant -		
Fixed capital	\$262,273	
Less-depreciation reserve	<u>41,465</u>	
Net utility plant		\$220,808
Current assets		<u>17,208</u>
	Total	<u>\$238,016</u>

Liabilities and Capital

Long-term debt	\$ 53,419
Current liabilities	105,114
Advances for construction	5,298
Proprietary capital	<u>74,185</u>
	Total
	<u>\$238,016</u>

The long-term debt, since reduced to \$52,945.38, represents the unpaid balance on a note originally in the amount of \$65,000, which applicant issued in 1952 under authorization granted by Decision No. 46919, dated April 1, 1952, for the purpose of refinancing indebtedness and of paying for additions and betterments. The note is held by Salinas National Bank and is payable in monthly installments of \$900 with interest at the rate of 6% per annum.

Applicant now desires to refinance the outstanding long-term debt and to restore his total borrowings from the bank to \$65,000. He reports that he will have need for the proceeds, over and above those necessary to liquidate the present indebtedness, to pay outstanding current liabilities which represent borrowings used primarily for materials and supplies, storage facilities and pipelines. He asserts that he has made tentative arrangements with Salinas National Bank to borrow said sum of \$65,000, the amount to be represented by a new note, payable at the rate of \$750 a month with interest included at the rate of 6% per annum. The payment will be secured by a first deed of trust and a mortgage of chattels.

The results of operations summary set forth above shows net income, after payment for interest charges on applicant's presently outstanding indebtedness, of approximately \$4,500 in 1953 and \$5,000 in 1954. In addition, applicant has made charges for depreciation, which do not represent cash outlays, in the amount of \$7,770 in 1953 and \$8,408 in 1954. The total cash thus generated internally, which would be available for the payment of principal and interest on applicant's borrowings, amounted to approximately \$12,200 in the earlier of these two years and to approximately \$13,300 last year.

From a review of applicant's financial statements it appears that he has need for additional funds to refinance his outstanding indebtedness and to improve his current position, and that his request contained in the pending application should be granted.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except for the payment of interest, 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 may issue a promissory note in the principal amount of not exceeding \$65,000 for the purposes set forth in this application and may execute a new deed of trust and chattel

mortgage to secure the payment of said note, which deed of trust and chattel mortgage shall be in, or substantially in, the same form as those filed with the amended application in this proceeding.

2. Applicant 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.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California, this 8th day of March, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

