

Decision No. 56033**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 PALM DESERT WATER COMPANY, a corporation,  
 for authorization to borrow monies and  
 issue notes therefor as evidence of the  
 indebtedness in the amount of \$17,500.00.

Application  
 No. 39646

C O N C L U S I O N

Palm Desert Water Company has filed this application for authorization to issue four promissory notes in the aggregate principal amount of \$17,500.

Applicant is a California corporation which was organized during 1950 for the purpose of distributing water in a portion of Riverside County in the vicinity of Palm Desert. It commenced its operations during 1951 and in its annual financial statements has reported operating revenues and net income for the succeeding years, and number of customers at the end of the year, as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>No. of Customers</u>
1951 (June to Dec. )	\$ 9,483	\$ (4,494)	145
1952	18,289	(7,378)	170
1953	22,735	(2,585)	201
1954	26,791	(383)	222
1955	37,795	1,490	254
1956	40,758	6,326	288

For the 12 months ended October 31, 1957, applicant has reported operating revenues of \$45,571 and net income of \$5,863.33.

The following statement, condensed from Exhibit A filed in this proceeding, shows applicant's resources, liabilities and capital as of October 31, 1957, as follows:

Assets

Investment in plant -		
Fixed capital	\$298,688.27	
Work in progress	<u>25,248.72</u>	
	323,936.99	
Less - depreciation reserve	<u>77,745.65</u>	
Balance		\$246,191.34
Current assets -		
Cash	16,102.43	
Accounts receivable	4,368.13	
Prepaid expense	1,244.82	
Materials and supplies	<u>3,414.41</u>	
Total current assets		<u>25,129.79</u>
Total		<u>\$271,321.13</u>

Liabilities and Capital

Current liabilities		\$ 21,840.14
Advances for construction		19,179.95
Capital -		
Common stock	\$ 50,000.00	
Paid-in surplus	183,087.01	
Earned surplus	<u>(2,785.97)</u>	
Total capital		<u>230,301.04</u>
Total		<u>\$271,321.13</u>

The outstanding stock was reported held, as of December 31, 1956, as follows:

Howard F. Ahmanson	\$25,000
Dorothy G. Ahmanson	15,000
Kenneth D. Childs	5,000
Margaret A. Childs	<u>5,000</u>
Total	<u>\$50,000</u>

Applicant has obtained its supply of water from three wells. It asserts, however, that its existing sources of supply have become inadequate, due to the increase in number of services and the projected development within its area, and that it has found it necessary to drill a new well to a depth of 723 feet and to equip it with a deep well turbine pump of 100 h.p. Its construction costs for the well and pump amounted to \$25,248.72 and it financed its costs, in part, with \$17,500 advanced by its shareholders.

In the present proceeding, applicant now seeks authorization to issue its notes in evidence of the \$17,500 thus advanced by its shareholders. The notes will be unsecured, will be payable on or before three years after the dates of issue and will carry interest at the rate of 6% per annum. A copy of each of the proposed notes is attached to the application.

The Commission has considered this matter and is of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue of notes only and is not to be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

The Commission having considered the above-entitled application and being of the opinion it should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Palm Desert Water Company, on and after the effective date hereof and on or before April 30, 1958, may issue four unsecured promissory notes in the aggregate principal amount of not exceeding \$17,500 in the form and for the purpose set forth in this application.

2. Palm Desert Water Company shall file with the Commission 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 Palm Desert Water Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California, this 30th day of December, 1957.

*E. J. ...* President  
*Ray ...*  
*H. ...*  
*E. ...*  
  
Commissioners

