

ORIGINAL

Decision No. 57445

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 :
 WATER WORKS OF MONTA VISTA, LTD.,)
 :
 for an Order Authorizing it (a) to)
 execute an Agreement with American)
 National Insurance Company for a)
 Loan of \$125,000; (b) to issue its)
 Promissory Note in the principal)
 amount of \$125,000 pursuant to said)
 Agreement; (c) to execute a Mortgage) Application No. 40410
 of Chattels and Real Property to)
 secure said Promissory Note; (d) to)
 issue and sell 13 capital shares,)
 without par value, at the price of)
 \$2380 per share, in cash; and (e))
 to apply all proceeds toward the)
 payment of outstanding short-term)
 indebtedness, to finance additions)
 and betterments, and to reimburse)
 its treasury.)
 :
 _____)

O P I N I O N

In this application the Commission is asked to authorize Water Works of Monta Vista, Ltd., to execute a loan agreement with American National Insurance Company and a mortgage of chattels and real property and to issue securities as follows:

Promissory note, 5-3/4% due 1961-83	\$125,000
Common stock, 13 shares at \$2,380	<u>30,940</u>
Total	<u>\$155,940</u>

Applicant was organized in 1930 under the laws of the State of California and now is, and for many years has been, engaged in operating a public utility water system in and about the unincorporated area of Monta Vista in Santa Clara County. It annual

reports to the Commission for the last five years show its operating revenues and net income for each of said years and its reported investment in plant and number of services at the end of each year as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Plant Dec. 31</u>	<u>Customers Dec. 31</u>
1953	\$46,463	\$ 8,902	\$218,086	755
1954	60,602	17,203	248,658	916
1955	71,238	21,492	289,274	1,026
1956	82,563	25,749	334,101	1,113
1957	98,142	25,493	343,943	1,175

In Exhibit A applicant has reported operating revenues of \$48,446 and net income of \$15,069 for the first six months of 1958, and investment in utility plant at \$365,201. A condensed statement of applicant's assets, liabilities and net worth as of June 30, 1958, is as follows:

<u>Assets</u>		
Current -		
Current assets	\$ 65,860	
Less - Current liabilities	<u>8,970</u>	
Net current assets		\$ 56,890
Utility Plant -		
Cost	365,201	
Less - Depreciation reserve	<u>79,638</u>	
Net utility plant		285,563
Total		<u>\$342,453</u>
<u>Liabilities and Net Worth</u>		
Notes payable - Bank of America		\$ 26,988
Other notes payable		13,587
Due officers and shareholders -		
Short-term note	\$ 41,607	
Accounts payable	<u>24,619</u>	
Total due officers and shareholders		66,226
Consumers' advances and deposits		<u>101,857</u>
Total liabilities		208,658
Net Worth -		
Common stock	500	
Surplus	<u>133,295</u>	
Total net worth		133,795
Total		<u>\$342,453</u>

The outstanding stock consists of 50 shares without par value. The book value, on the basis of the balance sheet, is approximately \$2,675 each.

Applicant reports that the increased demand for water service in its territory has made it necessary for it to expend substantial sums to augment its supply and to extend its lines. It estimates that by the middle of 1959 it will complete additions and betterments as follows:

Well site and survey	\$ 3,600
Well	15,700
Tank, 400,000 gallons	23,500
Booster pumps (2), manifolds, fittings, control valves and wiring, installed	16,000
Pumphouse	2,500
Lot grading and surfacing	750
Fence	700
Transmission mains	
7200 ft. 14"	49,500
1800 ft. 12"	8,100
300 ft. 8"	975
Pump for new well, complete	10,000
8" meter	600
Distribution mains	11,500
Engineering	5,000
Easements	3,500
Contingencies	<u>3,075</u>
 Total	 <u>\$155,000</u>

It appears that applicant does not have the funds on hand to meet these capital costs and that it has made arrangements to borrow \$125,000 from American National Insurance Company, a Texas corporation, to enable it to proceed with its construction activities. The proposed borrowing will be represented by a note bearing interest at the rate of 5-3/4% per annum and requiring repayment of the principal amount in annual installments of \$5,434.

commencing December 31, 1961. Under the terms of the loan agreement applicant will pay a standby fee computed at the rate of 1/2 per cent per annum from September 1, 1958 and extending over the term of the commitment of the insurance company, that is, to February 1, 1959.

The remainder of the capital requirements, over and above the proceeds from the long-term borrowing, will be obtained by applicant by the sale of 13 shares of stock at \$2,380 each which is somewhat less than the book value of the presently outstanding shares. Any proceeds not needed for the program referred to herein will be applied toward the reimbursement of the treasury and the payment of indebtedness.

A review of the application and of the financial statements indicates that applicant's assets and earnings should be ample to support the proposed financing and we will enter an order granting the application. The authorization herein granted is for the issue of securities and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 money, property or labor to be procured or paid for by the issue of the note and stock 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., may execute a loan agreement with the American National Insurance Company and a mortgage of chattels and real property in, or substantially in, the same form as those filed in this proceeding as Exhibit B and Exhibit C, respectively.
2. Water Works of Monta Vista, Ltd., may issue and deliver to said American National Insurance Company its 5-3/4% promissory note in the principal amount not to exceed \$125,000, said note to be in, or substantially in, the same form as that filed in this proceeding as Exhibit D.
3. Water Works of Monta Vista, Ltd., may issue and sell not to exceed 13 shares of its capital stock at and for the price of \$2,380 a share.
4. Water Works of Monta Vista, Ltd., shall use the proceeds from the issue of said note and stock for the purposes of paying outstanding indebtedness, of financing the cost of additions and betterments and of reimbursing its treasury, all as set forth in this application.
5. Water Works of Monta Vista, Ltd., shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective when Water Works of Monta Vista, Ltd., has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$125. Under such authority no notes or stock may be issued after September 30, 1959.

Dated at San Francisco, California, this 15th day of October, 1958.

E. Lynn Fox
President
W. E. Mitchell
Paul C. Gutierrez
William J. ...
Theodore Jenner
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
14661
OCT 15 1958
BY