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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JUNIOR WATER CO., INC.,
to issue promissory note to provide
funds to retire outstanding shares
of its capital stock pursuant to
Section 817(e).

Application No. 43661

O P I N I O N

This application was filed on August 7, 1961 by Junior Water Co., Inc., for authorization to execute a deed of trust and mortgage of chattels and to issue a note in the principal amount of \$72,000.

Applicant is a California corporation which is engaged in the public utility water business supplying domestic water service and fire protection to approximately 1,140 customers in the City of Norwalk.

This company has financed its investment in utility properties through the issue of shares of its capital stock, by retained earnings and by contributions from its shareholders. Its assets and liabilities as shown on the June 30, 1961 balance sheet, attached to the application, are in condensed form as follows:

Assets and Deferred Charges

Property and equipment at cost, less depreciation	\$146,644.75
Cash in banks and on hand	18,026.40
Other current assets	1,531.83
Other assets	4,628.76
Total	<u>\$170,831.74</u>

Liabilities and Capital

Current liabilities		\$ 3,746.88
Customers' advances for construction		2,960.05
Common stock	\$ 25,000.00	
Capital surplus	129,574.00	
Retained earnings	<u>9,550.81</u>	<u>164,124.81</u>
Total		<u>\$170,831.74</u>

The outstanding capital stock of applicant consists of 2,500 shares and is held as follows:

Katherine V. Kerr	-	1,250
George Ponty	-	1,250

The officers and directors of the company are as follows:

George Ponty	-	President and Director
Allan F. Kerr	-	Vice President and Director
Margaret K. Ponty	-	Secretary-Treasurer and Director
Katherine V. Kerr	-	Director
Spiros G. Ponty	-	Director

Allan F. Kerr and Katherine V. Kerr are husband and wife as are George Ponty and Margaret K. Ponty. George Ponty and Allan F. Kerr reportedly each receive a salary of \$6,000 per year.

Applicant now advises that over the years substantial differences of opinion have existed between the two principal officers regarding the conduct of the affairs of applicant and that the spouses of said officers share their respective divergent viewpoints, with the result that there is considerable friction among the directors and officers. To eliminate this adverse condition, the continuance of which could result in substantial detriment to the corporation and its customers, George Ponty has offered to sell his 1,250 shares of capital stock to the corporation for \$72,500 in cash. Applicant has agreed to accept such offer and, to finance the purchase, proposes to utilize \$500 from cash funds currently available and to obtain the remaining \$72,000 through the issue of a ten-year installment promissory note bearing interest at the rate of 7 per cent per annum on unpaid balances, the note to be secured by a deed of trust and mortgage of chattels on the properties of applicant.

A review of the exhibits attached to the application, as well as the annual reports on file with this Commission, indicates that applicant has had little or no increase in the number of customers in the past five years nor any substantial increase in its gross plant investment. A pro forma income statement, attached to the application as Exhibit F, indicates that applicant, based on presently authorized rates, will realize sufficient funds from operations and depreciation accruals to enable it to meet the principal and interest payments on the loan it proposes to issue. In addition,

the pro forma balance sheet, attached to the application as Exhibit G, shows that after the purchase of one-half of the outstanding capital stock and the corresponding reduction in the surplus accounts to cover the purchase price to be paid for such stock, that the capitalization of applicant will be approximately 60 per cent equity and 40 per cent long-term debt.

Upon considering this matter, we find and conclude that applicant's financial condition, as indicated by its filed reports and by the exhibits attached to the application, is sufficient to warrant an order granting the application; that the granting of such application will not be adverse to the public interest; that the money, property or labor to be procured or paid for by the issue of the note 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.

Upon the basis of these findings, we will enter an order granting the company's request.

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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED that -

1. Junior Water Co., Inc., on or after the effective date hereof and on or before December 31, 1961, may execute a deed of trust and a mortgage of chattels in, or substantially in, the same form as those filed in this proceeding as Exhibit E-2 and Exhibit E-1, respectively, and may issue its note in the principal amount of not to exceed \$72,000 for the purpose of acquiring 1,250 shares of its outstanding capital stock, said promissory note to be in, or substantially in, the same form as that attached to the application as Exhibit D.

2. Junior Water Co., Inc., as a condition to the acceptance of the authorization herein granted, will be required to retire the 1,250 shares of stock it proposes to acquire by purchase through appropriate charges to its capital stock and surplus accounts. Such shares of stock are not to be reissued unless authorized by this Commission by appropriate decision in a formal proceeding initiated by applicant through the filing of an application.

3. Junior Water Co., Inc., a corporation, 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.

4. The authority herein granted shall become effective when Junior Water Co., Inc., has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$72.

Dated at San Francisco, California,
this 22nd day of August, 1961.

Creighton B. Rago
President
Ed. M. Doherty
F. J. Fox
George L. Grover
Frederick B. Halakoff
Commissioners

