

ORIGINALDecision No. 67863

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of

CREST WATER COMPANY,
a California corporation,for authority to issue notes
and incur indebtedness.Application No. 46834
Filed July 22, 1964O P I N I O N

This is an application for an order of the Commission authorizing Crest Water Company to issue an \$85,000 promissory note.

Applicant is a California corporation engaged as a public utility in the business of providing water service in a portion of the City of Bakersfield. Its 1963 annual report to the Commission shows gross operating revenues of \$161,575, net income of \$28,568 and 1,446 active service connections, excluding fire hydrants. For the first six months of 1964, gross operating revenues and net income were reported as \$87,314 and \$9,942, respectively. The balance sheet submitted by the company indicates that as of June 30, 1964, the depreciated investment in utility plant was \$783,626 and total assets were \$803,440. Exclusive of contributions in aid of construction amounting to \$53,099, applicant's reported capital structure as recorded on June 30, 1964, and as adjusted to give effect to the proposed financing, is as summarized below:

	<u>June 30, 1964</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Long-term debt	\$ -	- %	\$ 85,000	10%
Advances for construction	203,402	28	203,402	25
Preferred stock	169,530	23	169,530	21
Common stock equity	<u>356,369</u>	<u>49</u>	<u>356,369</u>	<u>44</u>
Total	<u>\$729,301</u>	<u>100%</u>	<u>\$814,301</u>	<u>100%</u>

The company has financed its investment primarily with funds obtained from the sale of preferred and common stock, from retained earnings, and by execution of construction advance contracts with subdividers. The unrefunded balances of said contracts represented about 26% of depreciated plant as of June 30, 1964.

The application shows that the company has had five wells in operation; that one such well has been abandoned and another has experienced a serious curtailment in production; and that the remaining three wells are pumping continuously during periods of maximum demand. Applicant reports that a new supply of suitable water is necessary, which it will obtain from the drilling of a new well to a depth of approximately 2,200 feet. The estimated expenditures required to make the additional water available to consumers are set forth in the application as follows:

	<u>Amount</u>
Well drilling contract	\$ 29,000
Pump equipment	25,200
410,000 gallon storage tank	17,000
Pressure and chlorination systems	5,300
Transmission line and appurtenances	<u>8,500</u>
Total	<u>\$ 85,000</u>

In order to finance the cost of the facilities, the company proposes to borrow \$85,000 from Crocker-Citizens National Bank. The borrowing will be represented by a promissory note bearing interest at the rate of 6-1/2% per annum and requiring repayment of principal and interest in thirty-six monthly installments of \$2,605.20. Applicant alleges that sufficient cash to service the debt will be available from operating economies anticipated upon connection of the installation to the system as well as from internally generated funds and other sources.

The Commission has considered this matter and finds that: (1) the proposed note issue is for a proper purpose; (2) 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 (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

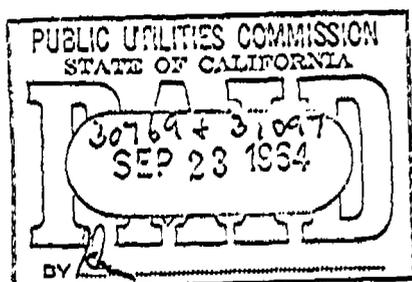
IT IS ORDERED that:

1. Crest Water Company, on or after the effective date hereof and on or before December 31, 1964, for the purpose specified in this proceeding, may issue its promissory note in the principal amount of not to exceed \$85,000, which document shall be in the same form, or in substantially the same form, as that attached to the application.

2. Crest Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Crest Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$85.

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1964.



Frederick B. Helms President
George H. Trover
Shannon Bennett Commissioners