

RR/KLH/SR/WPSC

Decision 83 02 006 FEB 2- 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
 of the PEERLESS WATER CO. for ) Application 82-11-52  
 authority to REISSUE LONG TERM ) (Filed November 26, 1982)  
 NOTES and APPROVE LONG TERM NOTE. )

O P I N I O N

In Decision (D.)78462 dated March 23, 1971 in Application (A.)52112, Peerless Water Co. (Peerless) was authorized among other things to issue three long-term Promissory Notes (Notes) maturing on April 1, 1981, 10 years after date of issuance. Interest only has been paid on these Notes to December 31, 1981.

In the present application, Peerless requests authority, under Public Utilities (PU) Code Sections 816 through 830 and 851, for the following:

1. To reissue all three outstanding 10-year Notes authorized under D.78462 by consolidating two of the Notes into one and reissuing the third in the following manner:
  - a. To consolidate the two Notes held by the Estate of Sarah G. Zastrow in the amounts of \$35,950 bearing interest at 8-1/2% per annum and \$42,150 bearing interest at 6% per annum, then, to issue a new 10-year Note in the aggregate principal amount of \$78,100 bearing interest at 12% per annum and other terms as shown in Exhibit A attached to the application.

- b. To reissue a Note to J. W. Zastrow in lieu of the Note held by J. W. Zastrow, Trustee under the Will of C. L. Zastrow, in the face amount of \$15,570 presently bearing interest at 8-1/2% per annum but increasing the interest rate to 12% per annum under the Note shown as Exhibit B attached to the application.
2. To have Commission approval for a New 30-month Note (New Note) attached to the application as Exhibit D, issued inadvertently without Commission approval as required under PU Code Sections 818 and 851. This New Note is dated April 13, 1982, in the amount of \$13,048.20, and issued to Farmers & Merchants Bank of Long Beach. The New Note bears interest of 10% per annum and was issued for the purpose of purchasing a new truck. The New Note matures October 15, 1984.

Notice of the filing of the application appeared on the Commission's Daily Calendar of December 2, 1982. No protests have been received.

Peerless, a California corporation, operates as a public water utility under the jurisdiction of this Commission. Peerless serves water to customers in portions of Los Angeles County.

Peerless reported in its 1981 Annual Report to the Commission that it generated total operating revenues of \$289,288 and net income of \$18,836 also shown in the application as part of Exhibit F.

Peerless' Balance Sheet as of December 31, 1981 is also shown as part of Exhibit F summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$313,844
Net Other Investments	1,688
Current Assets	<u>39,892</u>
Total	\$355,424
<u>Liabilities and Equity</u>	
Common Equity	\$205,389
Long-Term Debt	93,670
Current Liabilities	34,538
Contributions in Aid of Construction	<u>21,827</u>
Total	\$355,424

Peerless is a family-owned corporation that has 51,301 shares of Common Stock, \$1 par value, outstanding. Of these, 34,395 are held by the Estate of Sarah G. Zastrow and the remaining 19,904 shares by J. W. Zastrow, president of Peerless and son of Sarah G. and C. L. Zastrow. J. W. Zastrow is the only officer who is a fulltime employee of the company.

Peerless states in its application that it has been unable to pay the principal on the Notes, authorized under D.78462, that became due and payable April 1, 1981. The present lenders are willing to renew the Notes but desire an increase in the interest rate which Peerless contends is still less than that which could be obtained from outsiders. Peerless states it is comfortable with

long-term Notes being held by its stockholders but has need to continue to borrow short-term funds from outsiders. Short-term funds have been borrowed to make necessary plant replacements and are believed to be less burdensome than long-term funds would be if borrowed from other than stockholders.

The application indicates that Peerless issued inadvertently without Commission approval a secured promissory note to Farmers and Merchants Bank of Long Beach. The New Note dated April 13, 1982, in the amount of \$13,048.20, is for a period of 30 months. It bears interest at 10% per year and is payable in monthly installments of \$434.94 including principal and interest. The proceeds were used to purchase a new truck. This New Note is void under PU Code Sections 825 and 851.

The Commission's Revenue Requirements and Utilities Divisions have reviewed the application and have analyzed the applicant's cash flow requirements. The Revenue Requirements Division has no objection to the proposed consolidation and reissuance of the long-term Notes authorized under D.78462 or to the proposed New Note covering the purchase of a new truck on the terms shown in the Notes attached to the application as Exhibits A, B, and D.

Applicant paid the fee set by PU Code 1904(b) covering the long-term Notes authorized by D.78462 and there is no additional fee for consolidating and reissuing these Notes; however, there is an additional fee for the New Note proposed in this application.

To allow applicant to issue its Notes expeditiously, this order should be effective today.

Findings of Fact

1. Peerless, a California corporation, operates as a public water utility subject to the jurisdiction of this Commission.

2. Peerless, without Commission approval, borrowed long-term funds and issued a New Note which is void under PU Code Sections 818 and 851.

3. The proposed Notes are for proper purposes.

4. The money, property, or labor to be procured or paid for by the proposed Notes is reasonably required for the purposes specified in the application.

5. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The proposed Notes are for lawful purposes and the money, property, or labor to be obtained by them is required for these purposes. Proceeds from the Notes may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to permit Peerless to proceed with the issuance of its Notes expeditiously.

O R D E R

IT IS ORDERED that:

1. Peerless Water Co. (Peerless) may consolidate and reissue the two 10-year Promissory Notes, held by the Estate of Sarah G. Zastrow, in the aggregate principal amount of \$78,100 and upon the terms and conditions set forth in Exhibit A attached to the application.

2. Peerless may reissue the Promissory Note, held by J. W. Zastrow, Trustee under the Will of C. L. Zastrow, in the aggregate principal amount of \$15,570 and upon the terms and conditions set forth in Exhibit B attached to the application.

3. Peerless may issue a Promissory Note to Farmers & Merchants Bank of Long Beach for the aggregate amount of \$13,048.20. This New Note shall replace the corresponding Note

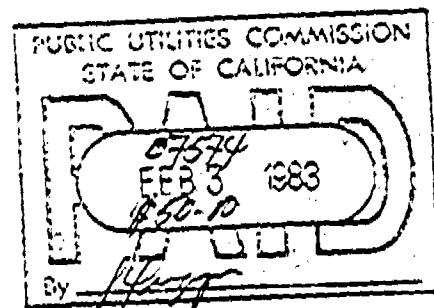
issued and executed without authorization from the Commission and shall be in substantially the same form as the Note attached to the application as Exhibit D.

4. The authority granted by this order to reissue prior Notes and to issue a New Note will be effective when Peerless pays \$50, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated FEB 2 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
Commissioners



I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

-7- Joseph E. Bodov, Jr. Executive Director