

Decision No. 87366 May 24, 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of MISSION HILLS WATER CO., and)
MISSION HILLS UTILITY CO., for)
authority to issue a promissory)
note. }

Application No. 56979
(Filed December 31, 1976)

S. A. Scott and James M. Smitherman, Jr.,
for applicants.
Donald E. La Fon, for Purisima Development
Co., and Jerome H. Snyder, for himself,
interested parties.
Jasper Williams, Attorney at Law, for the
Commission staff.

O P I N I O N

In 1959 Mission Hills Water Co. (water company) entered into two water refund agreements, to be paid in not more than 20 years, with Jerome H. Snyder and Purisima Development Company, a corporation (collectively called Snyder). One was for a loan of \$83,143.98 and the other was for the sale of water well sites in the sum of \$26,130, a total of \$109,273.98. The sum of \$1,000 has been paid in the intervening 18 years leaving a present balance due of \$108,273.98. Applicants now request authorization to issue a promissory note in the principal sum of \$98,273.98, payable in 240 equal monthly installments of \$852.85 each, with interest at the rate of 8.5 percent per year, after paying Snyder the sum of \$10,000 cash pursuant to a settlement agreement dated December 29, 1976. The purpose of the cash payment and promissory note is to terminate the obligation of applicants under the two water refund agreements.

D.86147 dated July 19, 1976 authorized Mission Hills Utility Co. (utility company) to purchase the water company system on or before November 1, 1976. The decision also provided that the water company would retain all liabilities except advances and contributions for construction, property taxes, and customer deposits and the water company would transfer sufficient cash to the utility company to cover customer deposits and property taxes. (Ordering Paragraphs 12 and 13) The utility company commenced operations as a public utility water corporation on January 1, 1977.

A prehearing conference was held and completed before Examiner Phillip E. Blecher on March 4, 1977.

The application indicates that the utility company was dormant until January 1, 1977 and had no assets until its acquisition of the water company. Exhibit A of the application is a balance sheet and income statement of the water company as of December 31, 1975 (the latest available statements). Exhibit A indicates cash of \$422, customer deposits and property taxes currently payable of \$13,242 and \$41,986 respectively, a negative net worth of \$87,260, and a negative rate base. Operating revenues were \$96,760 and the operating loss (excluding depreciation) was in excess of \$30,000.

At the prehearing conference applicants represented that the preliminary figures for 1976 indicated approximately the same revenues as in 1975 and a tentative \$18,000 loss (excluding depreciation). Annual payments under the proposed note would total \$10,234.20. Applicants have no funds to pay the \$10,000 cash payment due under the settlement agreement. Applicants admit that under existing circumstances the payments proposed in the note could not be made and that Ordering Paragraphs 12 and 13 of D.86147 have not been complied with.

We find that the applicants are in no financial position to comply with the terms of the proposed note under the admitted circumstances. We conclude that the application should be denied.

O R D E R

IT IS ORDERED that the relief requested is denied.

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 24th
day of MAY, 1977.

President
William Synovae Jr.

Vernon L. Stalvey

Richard D. Stalvey

Commissioners

Commissioner Robert Batimovich, being necessarily absent, did not participate in the disposition of this proceeding.