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Decision No. 88151 NOV 29 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Ridgecrest Heights)	
Land and Water Co. to execute and)	Application No. 57425
deliver Deed of Trust and issue)	(Filed July 6, 1977)
.\$35,000 note.)	

O P I N I O N

Ridgecrest Heights Land and Water Co. (Ridgecrest) requests authorization from the Commission to issue a \$35,000 note and to execute and deliver a Deed of Trust.

Ridgecrest is a California corporation operating a public utility water system in the City of Ridgecrest and in adjacent areas in Kern County. All of the utility's outstanding capital stock, represented by 1,000 shares of \$1 par value common stock, is owned by Northern Mojave Lands, Inc., which is engaged in real estate development.

For the year 1976, Ridgecrest reports total operating revenues of \$66,762, depreciation expense of \$5,443, and a net loss of \$2,846. The utility's balance sheet as of December 31, 1976 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net utility plant	\$161,675
Current assets	<u>3,117</u>
Total	<u>\$164,792</u>

<u>Liabilities and Capital</u>	
Long-term debt	\$ 15,700
Loan payable to officers	42,167
Common stock and surplus	5,868
Contributions in aid of construction	84,552
Deferred income	1,641
Current liabilities	<u>14,364</u>
Total	<u>\$164,792</u>

In the application, Ridgecrest indicates that its unreimbursed capital expenditures since April 1974 amount to \$40,355, classified as follows:

<u>Plant Item</u>	<u>Amount</u>
Drilled well #7	\$ 7,824
Installed 60 H.P. pump and electrical panel at well #7	3,731
Installed approximately 1/2 mile of 4" PVC pipe up Inyo Street from Bowman Road to line South of Upjohn	13,200
Looped approximately 1320 ft. of 4" line from Upjohn to Boston along Guam	6,600
Added approximately 1500 ft. of 6" pipe to complete 2nd trunk line between well #1 and well #2	<u>9,000</u>
Total	<u>\$40,355</u>

Ridgecrest proposes to issue a \$35,000 note in favor of Bank of America National Trust and Savings Association bearing interest at the rate of 10% per annum. The note would be repayable over a 7-year period in monthly installments of \$581.05, including principal and interest, and would be secured by a Deed of Trust.

In a letter dated November 5, 1977, Ridgecrest clarified the purposes for which the loan proceeds will be used as follows:

a. To repay the balance of an existing note issued in connection with capital improvements to Well No. 3.	\$ 826
b. To retire the balance of a previously authorized 8-1/2% note issued to Bank of America, which is repayable in monthly installments of \$317.	13,259
c. To reimburse the treasury, in part, for plant expenditures.	13,815
d. To finance the replacement of pipe and installation of metering equipment.	<u>7,100</u>
Total	<u>\$35,000</u>

Ridgecrest has informed the Finance Division that the \$2,846 net loss incurred in 1976 was caused by unusually high maintenance expenses. The utility expects to realize a profit in 1977 and to generate sufficient cash for the servicing of its debt in the future. Because of limited borrowing opportunities, Ridgecrest has agreed to refund lower cost debt in order to obtain needed funds.

The Utilities Division has reviewed the capital improvements made by the utility and has determined that the expenditures for plant were proper. The Finance Division has concluded that the utility's request is reasonable in view of the circumstances.

After consideration the Commission finds that:

1. The proposed note would be for proper purposes.
2. The proposed Deed of Trust would not be adverse to the public interest.
3. The money, property or labor to be procured or paid for by the note herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. There is no known opposition and there is no reason to delay granting the relief requested. A public hearing is not necessary. The authorization granted by this decision 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

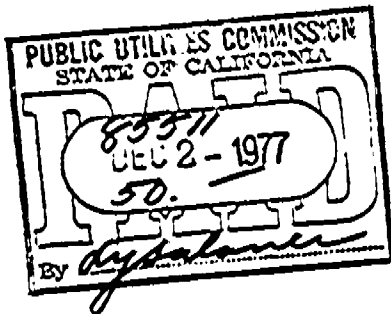
IT IS ORDERED that:

1. On or after the effective date hereof and on or before December 31, 1977, for the purposes specified in the application, Ridgecrest Heights Land and Water Co. may execute and deliver a Deed of Trust and may issue a note in the principal amount of not exceeding \$35,000, which documents shall be in substantially the same forms as those attached to the application.

2. Ridgecrest Heights Land and Water Co. shall file with the Commission the report 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 Ridgecrest Heights Land and Water Co. has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50.

Dated at San Francisco, California, this 29th day of NOVEMBER, 1977.



Robert Belmont
President
William J. Gurnea, Jr.
Leonard J. Sturgen
Charles D. Goodle
Clair J. DeWick
Commissioners