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Decision No. 88608 MAR 21 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SMITHSON SPRINGS)
WATER CO. For Authorization to)
Issue 200 Shares of its Common Stock)
at Par.)

Application No. 57711
(Filed November 28, 1977)

O P I N I O N

Smithson Springs Water Company (Smithson Springs) by this application seeks authority to issue and sell 200 shares of its \$100 par value capital stock.

Smithson Springs is a California corporation engaged in the sale and distribution of water to about 125 customers in the vicinity of Pinon Hills, San Bernardino County. For the year 1976 it reported operating revenues of \$13,347 and a net loss of \$6,643.

Smithson Springs proposes to issue the stock to its major stockholder, the Estate of William S. Schwartz. The stock would be used to repay the major stockholder for \$8,000 in short-term debt, with the balance of the proceeds (\$12,000) proposed to be used for the securing of additional water supply.

Smithson Springs was the subject of an investigation by the Commission on its own motion, in Case No. 9974, for the purpose of determining the utility's compliance with the orders from a previous decision (Decision No. 69513 dated August 4, 1965 in Case No. 8039). Particular concern was directed to the inadequacy of the utility's water supply, which inadequacy had resulted in the restriction of delivery of water to Smithson Springs' customers for as little as four hours per day.

In Decision No. 85014, dated October 15, 1975, in Case No. 9974, Smithson Springs was ordered, among other things, to (1) haul water from an approved source as necessary to maintain at least 50,000 gallons in storage in its reservoirs, (2) to put in effect a surcharge to defray the additional costs of hauling water, and (3) to commence studies for the purpose of securing additional permanent sources of water supply.

The application states that the utility has been hauling water and investigating additional sources of water supply as ordered, but that it has been necessary for Smithson Springs to supplement its operating revenues with short-term loans from officers and stockholders. The most promising means for obtaining additional water appears to be through connection to a main to be constructed by San Bernardino County Service Area 70-L. Smithson Springs estimates that it will cost between \$7,000 and \$10,000 to construct connecting facilities between the company's system and the Zone 70-L source, and an additional \$4,000 to repair a reservoir that would receive the water purchased from the County.

The Hydraulic Branch has reviewed the application and agrees with the conclusion of the Finance Division that the proposed financing is necessary for the utility's planned expenditures for additional water supply, and for the repayment of short-term debt.

After consideration the Commission finds that:

1. The proposed stock issue is for proper purposes.
2. Smithson Springs has need for external funds for the purposes set forth in the application.
3. The money, property, or labor to be procured or paid for by the stock issue 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.

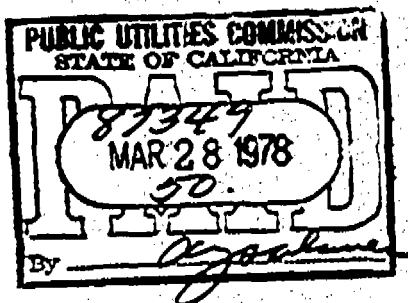
There is no known opposition and there is no reason to delay granting the relief requested. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is 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. Smithson Springs Water Company, on or after the effective date hereof and on or before September 30, 1978, may issue and sell not exceeding 200 shares of its \$100 par value common stock upon the terms set forth in the application.
2. Smithson Springs Water Company shall apply the proceeds from the sale of said securities to the purposes referred to in the application.
3. Smithson Springs 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.
4. This order shall become effective when Smithson Springs Water Company has paid the minimum fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$50.

Dated at San Francisco, California, this 21st day
of MARCH, 1978.



Robert Bateman
President
William J. Quinn
Veronica L. Stinson
Charles J. Swale
Paul T. Smith
Commissioners