

Decision No. 45890**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Niels Schultz, doing business as the )  
 Millbrae Highlands Water Company, )  
 asking for the approval of the )  
 Commission to issue a note and to )  
 encumber property. )  
 ----- )

Application  
 No. 32503

O P I N I O N

This is an application by Niels Schultz for authorization to issue a promissory note in the principal amount of \$100,000.

Doing business under the name of Millbrae Highlands Water Company, applicant is engaged in purchasing water from the City of San Francisco and distributing the same as a public utility to approximately 1100 customers in Millbrae, San Mateo County. A summary statement of his assets and liabilities as of May 31, 1951, is as follows:

Assets

Fixed capital	\$148,338.63	
Less-reserve for depreciation	<u>16,514.50</u>	
Net fixed capital		\$131,824.13
Current assets -		
Cash	985.34	
Accounts receivable	9,564.21	
Material and supplies	<u>1,445.48</u>	
Total current assets		11,995.03
Deferred debits		<u>5,531.61</u>
Total		<u>\$149,350.77</u>

Liabilities

Consumers' advances and deposits	\$ 2,114.80
Contracts payable	13,575.44
Accounts payable	<u>1,068.08</u>
Total liabilities	16,758.32
Proprietor's advances	<u>132,592.45</u>
Total	<u>\$149,350.77</u>

The foregoing balance sheet shows that applicant has financed his water system primarily by advances of his own funds. He now reports that he desires to be reimbursed in part for his advances to the water system, and that he has made arrangements with Bank of America National Trust and Savings Association for a loan of \$100,000, to be represented by an unsecured note payable in annual installments of \$10,000 at the end of the first year, and of \$22,500 at the end of each succeeding year until paid, with interest at the rate of  $4\frac{1}{2}\%$  per annum.

The Commission recently has had occasion to review applicant's operations. By Decision No. 45510, dated April 3, 1951, it authorized him to increase rates for service rendered on and after April 10, 1951, and in doing so estimated that the revised rates so authorized would yield annual net revenues of \$12,300, an amount equivalent to a return of approximately 6.3% on a rate base of \$195,000. The decision allowed as an operating expense, among other things, the sum of \$3,370 for depreciation and amortization.

A reference to the former decision shows that applicant is, and has been, engaged in private construction projects and that the figures entered on his books as representing the cost of his water system are incomplete allocations of costs without allowances for construction, engineering and general overheads. The allowance of \$195,000 for the rate base was derived by using book figures plus additions for overheads, materials and supplies and working cash.

An order will be entered granting applicant's request. Such order shall not be construed to be a finding by the Commission of the cost or value of applicant's properties.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the note herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

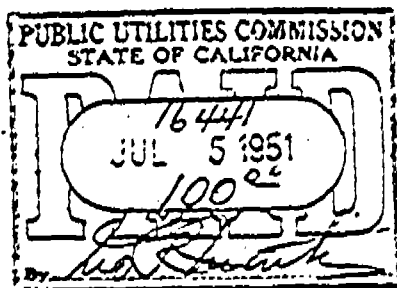
IT IS HEREBY ORDERED as follows:

1. Niels Schultz, after the effective date hereof and on or before September 30, 1951, may issue a promissory note in the principal amount of not exceeding \$100,000, payable as indicated in this proceeding, in reimbursement, in part, for amounts used for the construction of his water system.

2. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred (\$100.00) dollars.

Dated at San Francisco, California, this 29<sup>th</sup> day of June, 1951.



R. B. Doudman  
Harold R. Kule  
W. H. T. M. L. L.  
Commissioners