

Decision No. 5113

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
	:	
BAY WATER COMPANY, a corporation,	)	Application
	:	No. 36653
for Authority to Borrow Money	)	
and to Execute a Loan Agreement,	:	
Promissory Notes and Mortgage.	)	
-----	:	

O P I N I O N

In this application Bay Water Company, a corporation, seeks authorization to execute a loan agreement and a mortgage and to issue its promissory notes in the principal amount of \$250,000.

Applicant is a California corporation engaged in the operation of a public utility water system in a portion of Contra Costa County approximately three miles west of Pittsburg. It has reported its revenues and expenses for the calendar years 1952 and 1953 and the first nine months of 1954 as follows:

	<u>1952</u>	<u>1953</u>	<u>1954</u> <u>9 Months</u>
Operating revenues	\$54,436.55	\$82,700.29	\$71,845.91
Less -			
Operating expenses	28,599.46	41,218.56	28,441.87
Depreciation	5,984.16	8,085.26	10,643.54
Taxes	6,904.06	11,401.70	10,144.29
Totals	<u>41,487.68</u>	<u>60,705.52</u>	<u>49,229.70</u>
Net operating revenues	<u>\$12,948.87</u>	<u>\$21,994.77</u>	<u>\$22,616.21</u>

A statement of applicant's financial position as of September 30, 1954, is contained in Exhibit A filed in this proceeding. A summary of the statement is as follows:

Assets

Fixed capital, less depreciation reserve		\$447,168.36
Current assets -		
Cash	\$ 14,067.82	
Notes and accounts receivable	14,869.96	
Materials and supplies	5,743.56	
Prepaid items	<u>1,315.52</u>	
Total current assets		35,996.86
Deferred charges		<u>1,195.83</u>
	Total	<u>\$484,361.05</u>

Liabilities and Capital

Notes payable -		
Bank of America	\$135,000.00	
Officers	<u>33,995.58</u>	
Total notes payable		\$168,995.58
Current liabilities -		
Accounts payable	5,652.11	
Accrued taxes	<u>8,333.47</u>	
Total current liabilities		13,985.58
Consumers' advances for construction		11,960.61
Miscellaneous reserves		655.00
Common stock and surplus -		
Common stock	222,200.00	
Surplus	<u>66,564.28</u>	
Total common stock and surplus		<u>288,764.28</u>
	Total	<u>\$484,361.05</u>

The outstanding notes payable referred to in the preceding balance sheet include two 5½% notes in the aggregate amount of \$135,000 in favor of Bank of America National Trust and Savings Association which will become due on July 23, 1955, and a 5% demand note in the principal amount of \$33,995.58 in favor of Sherwood Field and Henry H. Wheeler, the holders of applicant's outstanding shares of stock.

Applicant now proposes to enter into a loan agreement with The Lincoln National Life Insurance Company under the terms of which said insurance company will advance to it the sum of \$175,000 on such date prior to March 1, 1955, as the parties may agree upon, and the additional sum of \$75,000 on or before December 31, 1956. The amounts thus advanced will be represented by promissory notes payable

on December 31, 1974, with interest at the rate of  $4\frac{1}{4}\%$  per annum, which notes will be secured by a mortgage covering applicant's properties. Under the terms of the agreement applicant will pay on the additional loan of \$75,000 a standby charge at the rate of 1% per annum on the amount of the unused credit.

Upon the line of credit being established, applicant will pay the expenses incident thereto, estimated at not to exceed \$7,500, and will draw down funds to liquidate the outstanding notes payable which, as stated in the preceding balance sheet, aggregated \$168,995.58 at the end of September of last year. It reports that the remaining proceeds will be used to provide working capital.

The financial statements filed in the proceeding show that applicant does not have sufficient funds on hand to meet the payments which are about to become due on the outstanding notes. The arrangements applicant proposes to make for the payment of such notes will be of benefit to it in that they will provide for the extension of the time for payment of the indebtedness and for a reduction in the annual interest charges from 5% and  $5\frac{1}{2}\%$  to  $4\frac{1}{4}\%$ .

However, applicant has not submitted in this application sufficient information upon which the Commission can predicate an order authorizing the issue of notes to provide for the additional loan of \$75,000 which is covered by the proposed loan agreement. The order herein, accordingly, will authorize the execution of said agreement and mortgage and the issue at this time of not exceeding \$175,000 of notes to refinance existing indebtedness and to pay expenses incident to the financing arrangements. At a later date the Commission will give consideration to applicant's request to

issue the remainder of the notes upon the filing by applicant of a supplemental application, or applications, setting forth more specifically the purposes for which the proceeds will be used.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of \$175,000 of notes is reasonably required by applicant for the purposes specified herein, and that such purposes, except for the payment of expenses, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,


IT IS HEREBY ORDERED as follows:

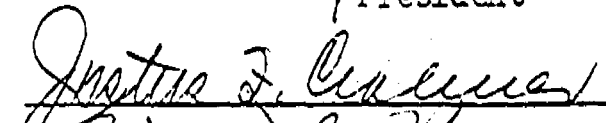
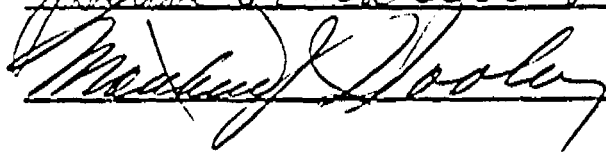
1. Bay Water Company, a corporation, after the effective date hereof and on or before April 30, 1955, may execute a loan agreement with The Lincoln National Life Insurance Company, and a mortgage and may issue its promissory note, or notes, in the principal amount of not exceeding \$175,000 for the purpose of re-financing outstanding notes and of paying expenses incident to the issue, all as set forth in this application. The loan agreement, mortgage and note, or notes, shall be in, or substantially in, the same form as those filed in this proceeding.

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 1904(b) of the Public Utilities Code.

Dated at San Francisco, California, this 23<sup>rd</sup> day of February, 1955.

  
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President

  
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Commissioners

