

ORIGINAL

Decision No. 51949

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
SONOMA WATER & IRRIGATION COMPANY,)
a corporation,)
for authority to issue its)
Promissory Note.)
-----)

Application
No. 37229

OPINION AND ORDER

Sonoma Water & Irrigation Company has filed this application for authorization to issue an unsecured promissory note in the principal amount of \$60,000 for the purpose of refinancing existing indebtedness and of providing the cost of improvements to its facilities.

Applicant is engaged in supplying water service in an area generally described as Sonoma Valley. According to Exhibit A-1 filed in this proceeding, its recorded net investment in tangible capital as of December 31, 1954, was \$220,798.19 and in current assets \$17,185.25, a total of \$237,983.44, which had been paid or provided from the following sources:

Notes payable	\$ 35,000.00
Current and accrued liabilities	7,378.14
Advances	30,956.85
Equity capital	<u>164,648.45</u>
Total	<u>\$237,983.44</u>

The notes represent two short-term unsecured loans from Keil Estate Co. The common stock equity includes 19,920.53 shares

of no par common stock, substantially all of which are held in trust by the Keil interests.

Recently the Commission reviewed applicant's properties and operations and in Decision No. 51804, dated August 9, 1955, in Application No. 35828, authorized increases in rates which were designed to produce net operating revenues of \$15,336, an amount equivalent to a return of 7.15% on a depreciated rate base of \$214,590 for the average year 1955. According to the decision in the former matter, applicant has reached the limit of its capacity to supply water other than to individual consumers connected in the normal course of business, and now is faced with the necessity of augmenting its source of supply. The engineer of the Commission's staff, in an exhibit filed in the proceeding, recommended the development of a new well and pumping facilities and the installation of additional distributing mains, all at an estimated cost of approximately \$25,000.

It appears that applicant intends to proceed with the recommended improvements. It has made arrangements to borrow \$60,000 from Keil Estate Co. to take up the existing notes of \$35,000 and to provide the funds to meet the additional costs. The borrowings will be represented by a new unsecured note in the amount of \$60,000, payable in equal monthly installments of \$750 with interest at the rate of 6% per annum.

The Commission has considered this matter and is 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 the note herein authorized is reasonably required by applicant for the purposes

specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Sonoma Water & Irrigation Company may issue an unsecured promissory note in the principal amount of \$60,000 on or before December 31, 1955, such note to be in, or substantially in, the same form as the note filed as Exhibit C. Applicant shall use the proceeds to refinance existing indebtedness and to pay for improvements to its facilities, as set forth in this proceeding.

2. Sonoma Water & Irrigation Company 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, which fee is \$60.

Dated at San Francisco, California, this 13th day of September, 1955.

[Signature]
President

[Signature]
[Signature]

[Signature]
[Signature]
Commissioners

