

ORIGINAL

Decision No. 54309

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Bay Water Company, a corporation, for authority to borrow money and to execute a loan agreement, promissory notes, and mortgage

Application No. 36653
(First Supplemental)

FIRST SUPPLEMENTAL OPINION

By Decision No. 51113, dated February 23, 1955, the Commission authorized Bay Water Company, a corporation, to execute a loan agreement with The Lincoln National Life Insurance Company, providing for loans by the insurance company in the total amount of \$250,000, and authorized the utility company to borrow \$175,000 of such amount and to issue, in evidence of such borrowing, its 4-1/4% notes due December 31, 1974.

The utility now desires to draw down an additional \$25,000 under the loan agreement and in a supplemental application seeks authorization to issue a new note, or notes, for that amount to be in form similar to the \$175,000 of notes heretofore issued. It intends to use the proceeds to finance the cost of construction work and in this connection it reports estimated expenditures of \$30,471 for distribution lines and other facilities, as shown in some detail in Exhibit A attached to its supplemental application. The expenditures in excess of the proposed borrowing will be financed with treasury funds.

The supplemental application shows that the utility's reported investment in its fixed capital, as of September 30, 1956, was \$454,198, after deducting accumulated depreciation reserve, and that the outstanding mortgage debt was \$175,000, the project having been financed primarily with equity funds. The supplemental application further shows that during the first nine months of 1956 the gross revenues amounted to \$76,654 and the net operating revenues to \$18,615, before deducting interest charges of approximately \$6,500.

From a review of the application and of applicant's books of account, it appears that the company will have need for additional funds from external sources to enable it to proceed with its construction program and that its assets and earnings should be sufficient to support the additional borrowing. Accordingly, we will enter an order granting the supplemental application.

The authorization herein granted is for the issue of a note, or notes, and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

FIRST SUPPLEMENTAL ORDER

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the note, or notes, 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. Bay Water Company, a corporation, may issue a promissory note, or notes, in the principal amount of \$25,000 for the purposes set forth in the first supplemental application filed in this proceeding, such note, or notes, to be issued in accordance with the terms of the loan agreement between Bay Water Company and The Lincoln National Life Insurance Company.

2. Bay Water Company shall file with the Commission a report, or 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 Bay Water Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California, this 27th day of DECEMBER, 1956.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

