

ORIGINAL

Decision No. 58186

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RUBICON WATER COMPANY,
a California corporation, for
Certificate of Public Convenience
and Necessity to operate a water
system at Lonely Gulch, Rubicon Bay,
on the west side of Lake Tahoe, in
El Dorado County, California; to
establish rates; and to issue stock.

Application No. 39823

FIRST SUPPLEMENTAL OPINION

On February 17, 1959, by Decision No. 58014 in the above-entitled matter, the Commission conditionally granted a certificate of public convenience and necessity to Rubicon Water Company to operate a water system at Lonely Gulch, Rubicon Bay, on the west side of Lake Tahoe.

Originally the company had sought authorization to issue \$2,400 par value of stock and an unsecured 15-year, 4% note for \$50,110.58 to purchase the properties it intends to operate and to provide working capital. In considering this proposed financing, however, the Commission stated that the estimated net revenues from the operation of the system would not meet the interest payments on the proposed note and it indicated that the proposed capital structure was not desirable because of the low equity ratio. In Ordering Paragraph 2, the Commission directed the company, as a condition precedent, to file a plan for financing its proposed service which would be acceptable to the Commission.

In an attempt to overcome the Commission's objections and to meet the requirements of the decision, the company, under date of March 7, 1959, filed a revised financial plan responsive to Ordering Paragraph 2. It now proposes to issue two notes, one in the principal amount of \$25,110.58, to be payable 15 years after its date, with interest at the rate of 4% per annum, and the other, in the amount of \$25,000, bearing no interest, to be paid in annual installments of \$5,000, commencing July 1, 1959, by the issue of capital stock of a like amount.

In the original proceeding, the Commission's staff estimated net revenues from the operation of applicant's proposed system at \$1,258, after deducting depreciation expense of \$1,101, the two items, which represent internal funds, aggregating \$2,359. It thus appears that under the company's proposed plan the earnings from operations should be more than ample to meet the interest requirements on the note and that the financing of the annual payments on the debt by the issue of stock in four years will bring the equity... capital approximately into balance with the remaining long-term debt...

Under the circumstances prevailing in the present proceeding, the Commission is of the opinion that applicant's plan is reasonable and it will accept it for filing as meeting the requirements of Decision No. 58014. With this acceptance the authorization granted by said decision becomes effective. The Commission, at this time, will enter an appropriate order with respect to the issue of the note and the stock.

The order in this matter is for accounting and financing purposes only and is not to be construed as indicative of amounts to be used in a future rate base for the purpose of determining just and reasonable rates. The Commission reserves the right to re-examine the claimed values for the water properties should such values become matters at issue in any future proceeding and to order such adjustments in the utility plant and reserve accounts as may appear to be appropriate.

FIRST SUPPLEMENTAL ORDER

The Commission having given further consideration to this proceeding and being of the opinion that a further hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the note and the stock herein authorized is reasonably required 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. Rubicon Water Company, in payment for the water system referred to in this proceeding, may issue two notes, on and after the effective date hereof and on or before October 31, 1959, one note to be in the principal amount of not to exceed \$25,110.58, payable 15 years after its date of issue, with interest at the rate of 4% per annum, and the other to be in the principal amount of not to exceed \$25,000, bearing no interest, payable in annual installments of \$5,000, commencing on July 1, 1959.

2. Rubicon Water Company may issue not to exceed \$25,000 par value of its stock in payment, in whole or in part, of the \$25,000 note herein authorized to be issued, such stock to be issued in payment of such note, or installments thereof, at dollar for dollar.

3. Rubicon Water Company, on and after the effective date hereof, and on or before October 31, 1959, may issue not to exceed \$2,400 par value of its common stock and sell such stock, at par, for cash, for the purpose of providing working capital.

4. Rubicon Water Company shall file with the Commission, within 30 days after the issue of the notes herein authorized, a statement showing each journal entry used to record on its books the purchase of the water system referred to in this proceeding and the distribution of the purchase price to primary utility plant and other accounts.

5. Rubicon Water Company shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective when Rubicon Water Company has paid the fee prescribed by Section 1904(b), of the Public Utilities Code, which fee is \$51.

Dated at San Francisco, California, this 31st day of

March, 1959.

E. J. Fox President
J. D. D. [unclear]
William [unclear]
Theodore [unclear]
Ernest [unclear] Commissioners

