

ORIGINAL

Decision No. 67671

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of ALISAL WATER CORPORATION doing business under the firm name and style of ALCO WATER SERVICE, for permission to execute and issue promissory note or notes and Deed of Trust and Chattel Mortgage to Pacific Mutual Life Insurance Company (Los Angeles Office), a corporation.

Application No. 46814
Filed July 17, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Alisal Water Corporation to execute a mortgage and a loan agreement, and to issue a promissory note, or notes, in the aggregate principal amount of \$250,000.

Applicant, a California corporation doing business under the name of Alco Water Service, provides public utility water service to consumers situated in an area known as the Alisal District in the City of Salinas. Its 1963 annual report to the Commission shows gross operating revenues of \$112,049 and net income of \$11,683 for the year and 2,505 active service connections, exclusive of fire hydrants, at the end of the year. The December 31, 1963 balance sheet, attached to the application, indicates, among other things, that net utility plant after deduction of the depreciation reserve amounted to \$300,815 and that the cost of said facilities has been financed primarily by the following sources of capital:

	<u>Amount</u>	<u>Per Cent</u>
Capital stock and retained earnings	\$205,587	70%
Long-term debt	39,616	13
Advances for construction	<u>50,007</u>	<u>17</u>
Total	<u>\$295,210</u>	<u>100%</u>

The company proposes to borrow \$250,000 from Pacific Mutual Life Insurance Company and plans to draw down \$175,000 initially in 1964 and the \$75,000 balance on or before August 31, 1966, under the terms of a loan agreement. The application shows that applicant proposes to utilize \$213,885 of the proceeds to finance the cost of plant additions set forth in some detail in the application and to apply the remaining \$36,115 toward repayment of a 7% bank loan previously authorized by this Commission.

The contemplated borrowing will be evidenced by a promissory note, or notes, aggregating \$250,000, maturing on August 1, 1984, and requiring repayment of principal in annual sinking fund installments equivalent to two per cent of the original principal amount of each note issued. Interest at the rate of 5-3/4% per annum will be payable semi-annually and the note, or notes, will be secured by a mortgage of chattels and real property. In addition to providing for optional prepayment privileges, the loan will be subject to the five-year restricted redemption provision frequently utilized.

The Commission has considered this matter and finds that: (1) the proposed note issues are for proper purposes; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restriction in the optional prepayment provision;

(3) the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein given is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Alisal Water Corporation, for the purposes specified in this proceeding, may execute a mortgage and a loan agreement and may issue its promissory note, or notes, in the aggregate principal amount of not to exceed \$250,000, which documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Alisal Water Corporation shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Alisal Water Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$214.

Dated at San Francisco, California, this 17th day of AUGUST, 1964.

Frederick B. Hallock
President
Robert J. [unclear]
Robert [unclear]
George H. [unclear]

Commissioners
Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

