

ORIGINAL

Decision No. 69183

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
TAHOE-SIERRA WATER CO.)
))
for an Order authorizing it)
(a) to execute a loan agreement)
with Pacific Mutual Life)
Insurance Company providing for)
a loan of \$300,000; (b) to)
issue its promissory note in the)
principal amount of \$300,000)
pursuant to said agreement; and)
(c) to execute a Security)
Agreement and Mortgage of)
Chattels and Real Property.)

Application No. 47445
Filed March 29, 1965
and Amendment
Filed May 18, 1965

O P I N I O N

Tahoe-Sierra Water Co. has filed this application requesting authorization from the Commission to execute a Loan Agreement, and a Security Agreement and Mortgage of Chattels and Real Property, and to issue a promissory note in the principal amount of \$300,000.

Applicant is a California corporation engaged as a public utility in the business of distributing water to consumers located in the territory surrounding Bijou and Tahoe Valley, El Dorado County. Its 1964 annual report shows gross operating revenues and net income of \$175,009 and \$34,505, respectively, and a total of 1,958 active service connections at the end of the period, exclusive of fire hydrants. The

balance sheet as of December 31, 1964, discloses that the company's net utility plant, after deducting the depreciation reserve, amounted to \$533,493. The corporation's capitalization ratios on the balance sheet date, as reported by applicant, and as adjusted to give effect to the financing proposed herein, are as follows:

	<u>Dec. 31, 1964</u>	<u>Pro Forma</u>
Long-term debt	16%	41%
Advances for construction	43	30
Common stock equity	<u>41</u>	<u>29</u>
Total	<u>100%</u>	<u>100%</u>

Applicant reports that it expects to improve the common stock equity position in the future through earnings and reduction of indebtedness.

The company asserts that increased demands for service in its territory have required substantial capital expenditures during the past several years and that more funds are needed to finance the cost of further plant improvements essential for the proper servicing of its consumers. Applicant alleges that its projected property additions prior to December 31, 1966 will total \$158,463, excluding installations to be financed by construction advances and contributions in aid of construction. It anticipates that additional facilities having an estimated cost of \$125,000 will be completed before the end of 1965.

In this proceeding, applicant proposes to borrow \$300,000 from Pacific Mutual Life Insurance Company under and pursuant to the terms of a Loan Agreement. Said borrowing will be evidenced by a promissory note in the principal amount of \$300,000, maturing July 1, 1985, and requiring fixed annual repayments, commencing in 1966, of principal installments equivalent to two percent of the original principal amount of the note. Interest at the rate of 6% per annum will be payable semi-annually. The note will be secured by a Security Agreement and Mortgage of Chattels and Real Property. Optional prepayment privileges will be subject to the five-year restriction frequently imposed on long-term loans.

According to the amendment to the application, the proceeds of the proposed note issue will be used (a) to finance estimated property additions of \$158,463, (b) to discharge a \$91,000 balance outstanding on notes previously authorized by this Commission, (c) to pay other obligations of \$20,537 related to property additions, and (d) to reimburse the treasury for \$30,000 expended on capital improvements.

The Commission has considered this matter and finds that: (1) the proposed note issue is for proper purposes; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restricted prepayment provision; (3) the money, property or labor to be procured or paid for by the issue of the note 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. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application, as amended, should be granted. 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. Tahoe-Sierra Water Co. may execute a Security Agreement and Mortgage of Chattels and Real Property, and a Loan Agreement, which documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Tahoe-Sierra Water Co. may issue a promissory note in the principal amount of not to exceed \$300,000 for the purposes specified in the application, as amended, which note shall be in the same form, or in substantially the same form, as the copy of a proposed note annexed to the application.

3. Tahoe-Sierra Water Co. 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.

4. This order shall become effective when Tahoe-Sierra Water Co. has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$209.

Dated at San Francisco, California,
this 8th day of June, 1965.

Frederick B. Holdeff
President
John E. Mitchell
George J. Hoover
Lawyer
William A. Beardsley
Commissioners

