

ORIGINAL

Decision No. 70105

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
))
SOUTH TAHOE GAS CO.)
))
for an Order authorizing it)
(a) to execute a loan agreement)
with Pacific Mutual Life)
Insurance Company providing for)
a loan of not to exceed \$700,000;)
(b) to issue its promissory note)
in the principal amount of not)
to exceed \$700,000 pursuant to)
said agreement; and (c) to)
execute a Security Agreement and)
Mortgage of Chattels and Real)
Property.)

Application No. 48036
Filed December 1, 1965
and Amendment
Filed December 7, 1965

O P I N I O N

South Tahoe Gas Co. has filed this application requesting authorization from the Commission to execute a loan agreement and a document designated Security Agreement and Mortgage of Chattels and Real Property and to issue a promissory note in the principal amount of not to exceed \$700,000.

Applicant is a California corporation engaged in business as a public utility providing gas service in the South Lake Tahoe area. The financial statements, attached to the Amendment to the application, indicate that for the first six months of 1965 the company's operating revenues and net income were \$274,911 and \$32,964, respectively. The balance sheet, as of June 30, 1965, discloses a \$770,924 net investment in gas plant and total assets

of \$932,562 which are offset by current and accrued liabilities amounting to \$308,882, common stock and earned surplus in respective sums of \$516,840 and \$56,317, and contributions in aid of construction totaling \$50,523.

The company reports that it has been converting its system from propane to natural gas and constructing facilities needed to supply natural gas to present and prospective customers pursuant to authority granted by Decision No. 69017, dated May 11, 1965, in Application No. 47460. The utility states that the cost of property and equipment obtained during 1965 to accomplish its conversion and construction objectives is approximately \$535,000. According to the application proceeds of \$300,000, derived from the previously authorized sale in 1965 of applicant's common stock, were used to retire short-term construction loans and to pay conversion and construction costs. Applicant asserts that interim financing through short-term bank loans has continued and that said obligations aggregate \$425,000 as of November 16, 1965. Additional interim loans are anticipated by the company pending authorization of the long-term indebtedness contemplated herein.

In this proceeding applicant proposes to borrow the sum of not less than \$600,000 nor more than \$700,000 from Pacific Mutual Life Insurance Company pursuant to the terms of a loan agreement. Said borrowing will be evidenced by a promissory note maturing in twenty years. Interest at the rate of 5-1/2 percent per annum will be payable semi-annually and 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.

The application indicates that all of the proceeds from the proposed borrowing will be used to repay short-term construction obligations, with the possible exception of an amount of approximately \$75,000, which will be applied toward repayment of a short-term bank loan to be obtained for the purpose of retiring certain 6 percent demand notes referred to in a previous proceeding. If said loan is not negotiated, applicant intends to use funds from the proposed note issue for such purpose.

The Commission has considered this matter and finds that: (1) the proposed note issue is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the application; (3) applicant will be required to pay interest at a lower rate than it would in the absence of a restricted prepayment provision; (4) the execution of a Security Agreement and Mortgage of Chattels and Real Property will not be adverse to the public interest; (5) 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 (6) 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 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. South Tahoe Gas Co. may execute a loan agreement and may execute and deliver a document designated Security Agreement and Mortgage of Chattels and Real Property, which documents shall be in the same form, or in substantially the same form, as those attached to the application as Exhibit A and Exhibit B, respectively.

2. South Tahoe Gas Co. may issue and deliver its promissory note in the principal amount of not to exceed \$700,000 for the purposes specified in this proceeding, which note shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit C.

3. South Tahoe Gas 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 South Tahoe Gas Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$700.

Dated at San Francisco, California,
this 21st day of December, 1965.

Fredrick B. Holshoff
President

John L. Ketchum

George L. Brown

Augusta

William M. Bennett
Commissioners

