

**ORIGINAL**

Decision No. 71747

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 \$100,000; (b) to )  
issue its promissory notes in )  
the aggregate principal amount )  
of \$100,000 pursuant to said )  
agreement; and (c) to execute )  
a First Supplemental Indenture )  
supplementing its Security )  
Agreement and Mortgage of )  
Chattels and Real Property )  
dated as of June 11, 1965. )

Application No. 48944  
Filed November 9, 1966

O P I N I O N

Tahoe-Sierra Water Co. has filed this application requesting authorization from the Commission to execute and deliver a supplemental loan agreement and a supplemental indenture, and to issue promissory notes in the aggregate principal amount of \$100,000.

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 in El Dorado County.

Its 1965 annual report shows gross operating revenues and net income of \$183,843 and \$33,191, respectively, and a total of 2,228 active service connections at the end of the year exclusive of fire hydrants.

The balance sheet as of June 30, 1966, attached to the application, discloses that the company's net utility plant, after deducting accumulated depreciation, amounted to \$704,365. 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>June 30, 1966</u>	<u>Pro Forma</u>
Long-term debt	39%	46%
Advances in aid of construction	25	22
Common stock equity	<u>36</u>	<u>32</u>
Total	<u>100%</u>	<u>100%</u>

The company asserts that increased demands for service in its territory have required substantial capital expenditures during the past several years and that it is now in immediate and urgent need of additional funds with which to make further property additions and betterments essential for the proper servicing of its consumers. Applicant alleges that its projected property additions and betterments prior to December 31, 1967 will total \$100,000.

In this proceeding, applicant proposes to borrow \$100,000 in two installments from Pacific Mutual Life Insurance Company under and pursuant to the terms of a supplemental loan agreement. Said borrowing will be evidenced by two promissory

notes, both of which will mature November 1, 1986. Each note will require fixed annual repayments of principal installments equivalent to two percent of the original principal amount. Interest at the rate of 6-5/8% per annum will be payable semi-annually. The notes will be secured by an existing Security Agreement and Mortgage of Chattels and Real Property, as supplemented and modified by a proposed First Supplemental Indenture. Optional prepayment privileges will be subject to restrictions until November 1, 1974.

Applicant proposes to apply all of the proceeds of the additional loan of \$100,000 toward the cost of property additions and betterments.

The Commission has considered this matter and finds that: (1) the proposed note issues are for a proper purpose; (2) applicant will be required to pay a lower interest rate than it would in the absence of the proposed restricted 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 purpose specified herein; (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the proposed supplemental loan agreement and supplemental indenture will not be adverse to the public interest. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein granted 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.

ORDER

IT IS ORDERED that:

1. Tahoe-Sierra Water Co. may execute and deliver a supplemental loan agreement and a supplemental indenture in the same form, or in substantially the same form, as those attached to the application, provided that the date of December 30, 1966, indicated in said documents for the first installment, may be changed to not later than February 28, 1967.

2. Tahoe-Sierra Water Co. may issue its promissory notes in the aggregate principal amount of not to exceed \$100,000 for the purpose specified in the application, which notes shall be in the same form, or in substantially the same form, as the copy of a proposed note attached 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 \$100.

Dated at San Francisco, California, this 27<sup>th</sup> day of DECEMBER, 1966.

*John E. Mitchell*  
President

*George L. Hoover*

*Frederick B. Holabutt*

*Augustin*

Commissioners

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

