

**ORIGINAL**

Decision No. 72485

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TAHOE SOUTHSIDE )  
 WATER UTILITY, a corporation, )  
 for an order authorizing the )  
 applicant to borrow money and )  
 to issue its promissory note as )  
 evidence of said obligation, and )  
 authorizing the president and )  
 sole shareholder of applicant to )  
 personally guarantee said )  
 promissory note, pursuant to )  
 Sections 816-824 of the Public )  
 Utilities Code. )

Application No. 49294  
Filed April 18, 1967

O P I N I O N

Tahoe Southside Water Utility is a California corporation engaged in the business of supplying and distributing water to consumers located in Al Tahoe and vicinity in El Dorado County. In this proceeding applicant requests authorization from the Commission to issue a promissory note in the principal amount of \$250,000, and for its stockholders to execute and deliver a Continuing Guaranty.

Financial statements attached to the application show that applicant's total operating revenues and net income for the year ended December 31, 1966 were \$203,215 and \$28,810, respectively, and that its net utility plant on said date amounted to \$1,015,694 after deducting accumulated depreciation.

The utility's capitalization ratios as of December 31, 1966, and as adjusted to give effect to the financing proposed herein, are computed as follows:

	<u>Dec. 31,</u> <u>1966</u>	<u>Pro</u> <u>Forma</u>
Long-term debt	0%	30%
Advances for construction	48	33
Common stock and earned surplus	<u>52</u>	<u>37</u>
Total	<u>100%</u>	<u>100%</u>

According to the company's 1966 annual report on file with the Commission, the cost of gross additions and betterments to plant during the year totaled \$331,526. The application indicates that said cost was financed, in part, by a short-term bank loan and by open account advances from applicant's officers and associated companies.

In order to refund the \$200,000 balance outstanding on the short-term bank loan and to repay a portion of said open account advances, applicant proposes to borrow \$250,000 from Wells Fargo Bank under and pursuant to a Term Loan Agreement. The borrowing will be evidenced by a promissory note repayable semi-annually in principal sums of \$25,000 each with interest payable quarterly at the rate of 1-1/4% per annum above the bank's prime rate from time to time in effect. It appears that repayment of said note will be guaranteed by applicant's stockholders pursuant to a Continuing Guaranty.

The Commission has considered this matter and finds that: (1) the proposed note issue is for proper purposes; (2) the execution of a Continuing Guaranty by applicant's stockholders does not require authorization from this Commission; (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 should be (a) dismissed for lack of jurisdiction with respect to the Continuing Guaranty and (b) granted in all other respects. 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.

O R D E R

IT IS ORDERED that:

1. Tahoe Southside Water Utility, on or after the effective date hereof and on or before August 31, 1967, for the purposes specified in this proceeding, may issue its promissory note in the principal amount of not exceeding \$250,000 in accordance with a Term Loan Agreement. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Tahoe Southside Water Utility 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 application, insofar as it seeks authorization for execution of a Continuing Guaranty by applicant's stockholders, is dismissed.

4. This order shall become effective when Tahoe Southside Water Utility has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$250.

Dated at San Francisco, California, this 23rd day of MAY, 1967.

Peter E. Mitchell  
President

William G. Bennett

Richard

William

David P. Morrison  
Commissioners

