

ORIGINAL

Decision No. 75595

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
VALLECITO WATER COMPANY,)
a corporation, for authority to)
issue its five year 7% promissory)
notes in an aggregate principal)
amount not to exceed \$130,000.)

Application No. 50958
Filed March 17, 1969

O P I N I O N

Vallecito Water Company requests an order of the Commission authorizing it to issue \$130,000 aggregate face amount of five-year promissory notes bearing interest at the rate of 7% per annum, payable yearly, for the purpose of discharging amounts accrued but unpaid on outstanding refund agreements as of December 31, 1968.

By Decision No. 72500, dated May 23, 1967, in Applications Nos. 48753 and 48754, the Commission, after four days of public hearings, denied applicant's requests for authority to engage in additional debt financing. In denying the applications the Commission cited, among other things, the too high debt-equity ratio consisting of 73.83% debt, including advances for construction, and 26.17% equity as of December 31, 1966. On the basis of Exhibit C, attached to the present application, the corresponding percentages as of February 28, 1969, are 76.50% debt and 23.50% equity.

In addition to the increased debt ratio which has occurred already, the present application would increase the interest rate per annum for \$130,000 of the indebtedness from 0% to 7%. Moreover, the Commission's water main extension rules contemplate that refunds will be made in cash without interest.

After consideration, the Commission finds that:

1. Applicant's capital structure is more unbalanced with debt than it was when the Commission found the financial condition to be precarious in Decision No. 72500, dated May 23, 1967.
2. The proposed increase in interest rate per annum from 0% to 7% would be inconsistent with the water main extension rules, and would weaken further applicant's financial condition.
3. Applicant has not fulfilled its responsibility for financing itself in a manner consistent with sound financial and accounting practices pursuant to the provisions of the Public Utilities Code covering financial matters, and in a manner satisfactory to and authorized by this Commission.
4. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be denied.

O R D E R

IT IS ORDERED that Application No. 50958 is hereby denied.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of APRIL, 1969.

William L. Gouss Jr.
President

Augusta

Red P. Moussey
(P. Moussey)

Thomas L. ...
Commissioners