

Decision 82 03 056 MAR 16 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of VALENCIA WATER COMPANY, a)	Application 82-01-53
California corporation, to issue)	(Filed January 26, 1982)
a note in the amount of \$1,550,000.))	

O P I N I O N

Valencia Water Company (Valencia), a California water utility, requests authority under Public Utilities (PU) Code Section 818, to borrow money, and to issue, sell, and deliver its note in the principal amount up to \$1,550,000.

Notice of the filing of the application was published in the Commission's Daily Calendar of January 28, 1982. No protests have been received.

Valencia operates under certificates of public convenience and necessity issued by Decision (D.) 69744 dated October 5, 1965, on Application (A.) 47250, as amended, in and around the community of Valencia in the County of Los Angeles. For the 11 months' period ended November 30, 1981, the utility reported operating revenues of \$1,351,725 and net income of \$383,106. Exhibit A, attached to the application, contains a Balance Sheet dated November 30, 1981, which is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$7,141,756
Cash and Other Current Assets	320,983
Deferred Charges	<u>37,959</u>
Total	<u>\$7,500,698</u>
<u>Liabilities and Capital</u>	<u>Amount</u>
Long-Term Debt	\$1,550,000
Common Stock Equity	2,838,063
Contributions and Advances for Construction	2,894,532
Other Liabilities	<u>218,103</u>
Total	<u>\$7,500,698</u>

Valencia proposes to use the proceeds from the sale of its note to apply to the retirement and discharge of its indebtedness to its parent, The Newhall Land and Farming Company (Newhall Land). The proceeds from these notes were used to pay for the construction, completion, extension, and improvement of Valencia's facilities and to improve its services.

Valencia proposes to sell and deliver its note in the principal amount of \$1,550,000 to mature not more than one year after the effective date of an order from the Commission authorizing the sale and issuance. The note shall bear interest at the rate of 16% per annum. The note to be issued in favor of Newhall Land shall be executed substantially in the form which is attached to the application as Exhibit B. No payments on principal will be required on the note until maturity. The note to be issued can be prepaid at any time without penalty.

Valencia's recorded capital ratios as of November 30, 1981, and as adjusted on a pro forma basis to give effect to the proposed issuance of the note, are summarized as follows:

	<u>November 30, 1981</u>	
<u>Component</u>	<u>Recorded</u>	<u>Pro Forma</u>
Long-Term Debt	35.32%	38.64%
Common Equity	<u>64.68</u>	<u>61.36</u>
Total	100.00%	100.00%

In support of the application, Valencia states that the proposed interest rate is reasonable in the light of market conditions.

The staff of the Utilities and Revenue Requirements Divisions have reviewed the application and conclude that the proposed financing is required to retire and discharge the indebtedness for capital expenditures incurred by Valencia by its promissory notes to Newhall Land. The Divisions, however, reserve the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Findings of Fact

1. The proposed note is for proper purposes.
2. The terms of the proposed note are reasonable.
3. Valencia has need for external funds for the purposes specified in the application.
4. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.
5. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows:

The authorization 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

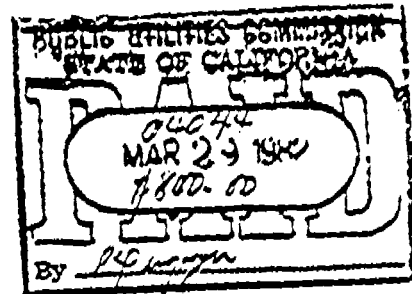
IT IS ORDERED that:

1. On or after the effective date and on or before December 31, 1982, Valencia Water Company (Valencia) may issue, sell, and deliver its promissory note in favor of The Newhall Land and Farming Company, in the aggregate principal amount of \$1,550,000, which note shall be in substantially the same form as Exhibit B, attached to the application.
2. Valencia Water Company shall apply the proceeds from the sale of the note to the purposes specified in the application.
3. Valencia Water Company shall file with the Commission the reports required by General Order Series 24.

4. This order shall become effective when Valencia pays \$800, the fee set by PU Code Section 1904(b). In all other respects this order becomes effective 30 days from today.

Dated MAR 16 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Joseph E. Bodovitz
Joseph E. Bodovitz, Executive Director