

ORIGINAL

Decision 82 06 056 JUN 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application )  
of DESCANSO PARK WATER CO., INC. )  
a California corporation, for )  
authority to execute a loan and )  
security agreement with Bank of )  
America NT & SA in the amount of )  
\$6,000. )

Application 82-05-34  
(Filed May 12, 1982)

O P I N I O N

Descanso Park Water Co., Inc. (Descanso) requests authority, under Public Utilities (PU) Code Sections 818 and 851 to execute a security agreement and a secured promissory note (Note), with the Bank of America NT & SA, for a loan in the aggregate principal amount of up to \$6,000.

Summary of Decision

This decision grants Descanso the authority requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of May 13, 1982. No protests have been received.

Descanso, a California corporation, operates as a public utility providing water services to its customers in Descanso, an unincorporated community located approximately 41 miles east of San Diego in San Diego County.

For the calendar year 1981, Descanso reports in the Income Statement, in its 1981 Annual Report attached to the application, that it generated total operating revenues of \$60,504 and had a net loss of \$3,512.

Also in its 1981 Annual Report is Descanso's Balance Sheet as of December 31, 1981 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Water Plant in Service:	\$144,816
Current Assets	<u>19,440</u>
Total	\$164,256
<u>Liabilities and Equity</u>	
Common Equity	\$ 57,113
Long-Term Debt	48,779
Current Liabilities	46,021
Advances for Construction	5,747
Other Credits	<u>6,596</u>
Total	\$164,256

Descanso reports in its application that it suffered equipment failure in the midst of relocating a major water transmission line and needed the immediate replacement of its tractor. Descanso was able to locate a suitable replacement tractor with appropriate attachments at a cost of \$8,500. The seller allowed Descanso \$2,500 as trade-in value for the old tractor, leaving a balance of \$6,000. Descanso borrowed the balance from the Bank of America NT & SA on a short-term 90-day

Note bearing interest at prime plus 3%. The current prime rate ranges from 16% to 16-1/2%. A savings would be achieved by converting this note to a long-term note.

In this application, Descanso requests authority to execute and issue a long-term Note to the Bank of America NT & SA, in exchange for its short-term obligation and to execute a security agreement pledging the new tractor as security. Descanso will then be obligated to make equal monthly payments of \$297.98, over a period of 24 months, including interest at 17-1/4% per annum on the unpaid balance.

By letter dated May 20, 1982, Descanso informed the Commission's Revenue Requirements Division that in order to have sufficient cash flow to meet the installments when due, the utility intends to apply for an increase in rates which would generate additional revenues.

Use of Proceeds

The proceeds from the Note will be used to refund the short-term obligation created when Descanso was forced to suddenly replace its tractor. The \$6,000 loan is the balance payable on the new Case tractor after receiving the \$2,500 trade-in on its old tractor.

The Commission's Revenue Requirements Division and the Utilities Division have reviewed the application and have concluded that the authority requested is reasonable and should be granted.

Findings of Fact

1. Descanso, a California corporation, operates as a water utility under the jurisdiction of this Commission.
2. Descanso has need for external funds for the purpose set forth in the application.
3. The execution of a secured Note and a security agreement to replace its short-term obligation would be for a proper purpose.
4. The money, property, or labor to be procured or paid for by the proposed Note is reasonably required for the purpose set forth in the application.
5. There is no known opposition to the application and 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 proposed Note and security agreement are for a lawful purpose and the money, property, or labor to be obtained by them is required for this purpose. Proceeds from the Note may not be charged to operating expenses or income.

The following order should be effective on the date of signature and the payment of the fee set by PU Code Section 1904(b) to enable Descanso to proceed with its financing expeditiously.

O R D E R

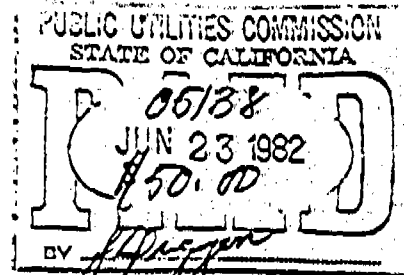
IT IS ORDERED that:

1. On or after the effective date of this order and on or before December 31, 1982 for the purpose specified in the application, Descanso Park Water Co., Inc. (Descanso) may enter into a security agreement with the Bank of America NT & SA and may execute and deliver a secured Note in the aggregate principal amount of up to \$6,000.
2. Descanso shall apply the net proceeds from the sale of its secured Note to the purpose set forth in the application.
3. Descanso shall file the report required by General Order Series 24.

4. This order shall become effective upon payment of the minimum fee, prescribed by PU Code Section 1904(b), which is \$50.

Dated JUN 15 1982, at San Francisco, California.

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



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

*[Signature]*  
Joseph E. Bodovitz, Executive Director