

ORIGINAL

Decision No. 87331

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of VALENCIA WATER
COMPANY to issue notes aggregating \$1,250,000 and to execute a Mortgage and Loan Agreement.

Application No. 57030
(Filed January 20, 1977;
amended March 29, 1977)

O P I N I O N

Valencia Water Company (Valencia) seeks authority to issue promissory notes in an aggregate principal amount not to exceed \$1,250,000 and to execute a mortgage and a loan agreement.

Valencia is a California corporation rendering public utility water service in and around the community of Valencia, California, in Los Angeles County. On October 31, 1976, its reported common stock equity amounted to \$1,824,343.^{1/}

Advances have been made to Valencia by its parent, The Newhall Land and Farming Company (Newhall Land), from time to time as needed and periodically Valencia would issue a note to Newhall Land to cover advances made to that date, the notes being payable on demand and bearing interest at the prevailing prime rate. As of October 31, 1976, Valencia had borrowed from Newhall Land, either on open advances or on these demand notes, a total of \$1,150,000. Valencia proposes to issue a note in the amount of \$1,150,000 in cancellation of its present outstanding obligation to its parent Newhall Land represented by these demand notes and advances. Valencia further proposes to issue and sell an additional note to Newhall Land for cash in an amount not exceeding \$100,000 prior to December 31, 1977, the proceeds from

1/ Exhibit A, page 1, attached to the application.

which will be used by Valencia for the construction, completion, extension, or improvement of its facilities where such required improvements or extensions cannot be financed under its main extension rule, or for the repayment of refunds required under main extension agreements.

The proposed notes would be for a term of three years and would bear interest at the rate of 9 percent per annum. The notes would be issued pursuant to a loan agreement and would be secured by a mortgage. All of the \$1,150,000 advanced by Newhall Land to date has been used by Valencia for the construction, completion, extension, or improvement of its facilities or for the repayment of refunds required under main extension agreements. The capital expenditures made by Valencia from January 1, 1969 through October 31, 1976 are summarized from Exhibit G attached to the application as follows:

Pumping	\$ 528,710
Transmission and Distribution Mains	2,368,883
Plant Under Construction	393,527
Other	<u>49,431</u>
Total	\$3,340,551
<u>Deduct</u>	
Net Capital Expendi- tures financed under main extension agreements	<u>\$1,510,298</u>
Net Capital Expenditures for the Period Financed Other than by Main Extension Agreements	\$1,830,253

A memorandum from a principal financial examiner for the Commission dated April 7, 1977 states in part:

"It is the Finance Division's recommendation that the Applicant's request to enter into long term debt with parent company be approved and processed ex parte."

Findings

1. The proposed notes are for a proper purpose.
2. The terms of the proposed notes are reasonable.
3. The proposed documents would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the notes herein authorized are reasonably required for the purposes specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. There is no known opposition and there is no reason to delay granting the relief requested.

We conclude that the application should be granted. A public hearing is not necessary. 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. Valencia Water Company, on or after the effective date hereof and on or before December 31, 1977, for the purposes set forth in the application, may issue a note or notes, the aggregate principal amount of which shall not exceed \$1,250,000, which notes

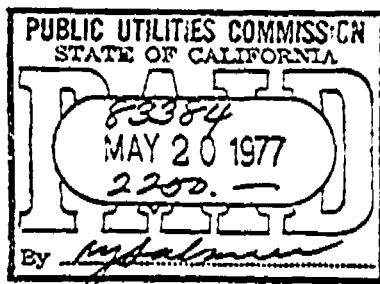
shall be in substantially the same form as Exhibit B-1 attached to the application, as amended.

2. Valencia Water Company may execute and deliver the loan agreement and the mortgage, which documents shall be in substantially the same forms as Exhibits C and D, respectively, attached to the application, as amended.

3. Valencia Water Company shall file with the Commission a report required by General Order No. 24-B, which order insofar as applicable, is hereby made a part of this order.

The authority granted by this order to issue an evidence of indebtedness and to execute and deliver an encumbering document will become effective when the issuer has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,250. In other respects, the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,
this 17th day of MAY, 1977.



Robert Bateman
President
William Guion, Jr.
Leon R. Stetgen
Richard D. Chavala
Commissioners