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Decision No. 88711 APR 18 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the FOOTHILL DITCH )  
COMPANY to execute and issue a )  
\$20,000.00 unsecured note. )

Application No. S7874  
(Filed February 14, 1978)

OPINION

Foothill Ditch Company (Foothill) requests authorization to execute unsecured promissory notes in the principal amount of \$20,000.

Foothill is a California corporation engaged in the business of distributing water for irrigation purposes in a rural area near the City of Exeter in Tulare County. For the year 1977 Foothill reported operating revenue of \$38,680 and net income of \$8,875.

From 1968 through 1976, Foothill incurred operating losses totaling \$40,390. These losses have been financed by Foothill's parent company, Rocky Hill, Incorporated. As of December 31, 1977, the amount owing to Rocky Hill, Incorporated, was \$22,003. There has been no interest accrual on this liability.

Owing to a substantial rate hike effective August 1, 1977, Foothill's operations turned around in 1977 and are expected to continue to be profitable in 1978. A pro forma funds statement for 1978, which includes payments on the proposed financing, is shown below:

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Pro Forma Source and Application of Funds

Year Ended December 31, 1978

Source of Funds

Operating Revenues

FOOTHILL PROPOSED TO BE REFINANCED  
BY ISSUING FIVE PROMISSORY NOTES TO SECURITY PACIFIC  
NATIONAL BANK, EXETER BRANCH, FOR THE PURPOSE OF OBTAINING FUNDS  
TO REPAY THE ADVANCES FROM ROCKY HILL, INCORPORATED. THE PRINCIPAL  
AMOUNT OF THE FIRST NOTE WOULD BE \$20,000. AT THE MATURITY DATE  
OF EACH NOTE, A PRINCIPAL PAYMENT WOULD BE REQUIRED TO THE EXTENT  
FUNDS WERE AVAILABLE, WITH THE BALANCE TO BE RENEWED IN THE  
SUCCEEDING NOTE. INTEREST WOULD BE COMPUTED AT A VARIABLE RATE OF  
ONE PERCENT ABOVE THE PRIME RATE FOR SAID BANK. THE FIRST OF THE  
FIVE NOTES WOULD HAVE A MATURITY DATE OF DECEMBER 31, 1978, AND  
THE LAST (FIFTH) NOTE WOULD MATURE ON DECEMBER 31, 1982.

Application of Funds

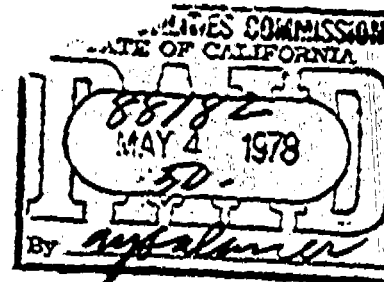
Operation & Maintenance - Materials, Labor, Equipment	\$20,700
Office & Management Salaries, Office Supplies & Equipment	4,950
Insurance & Professional Services	1,200
General & Vehicle Expense	5,600
Taxes - Property, California Franchise	1,300
Interest on Bank Note	1,700
Principal Payment on Bank Note	4,000
Cash balance end of year	1,550

\$41,000

In this application, Foothill proposes to issue five consecutive one-year promissory notes to Security Pacific National Bank, Exeter Branch, for the purpose of obtaining funds to repay the advances from Rocky Hill, Incorporated. The principal amount of the first note would be \$20,000. At the maturity date of each note, a principal payment would be required to the extent funds were available, with the balance to be renewed in the succeeding note. Interest would be computed at a variable rate of one percent above the prime rate for said bank. The first of the five notes would have a maturity date of December 31, 1978, and the last (fifth) note would mature on December 31, 1982.

The Hydraulic Branch of the Utilities Division has reviewed the application and agrees with the conclusion of the Finance Division that the proposed financing is appropriate in the circumstances.

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After consideration the Commission finds that the proposed notes would be for proper purposes and we conclude that the application should be granted. There is no known opposition and there is no reason to delay granting the relief requested. A public hearing is not necessary. The authorization granted by this decision 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. Foothill Ditch Company may issue a promissory note in the principal amount of not exceeding \$20,000 maturing December 31, 1978, and thereafter, may issue annually a renewal note for the remaining unpaid principal of the preceding note, the last of which shall mature December 31, 1982.
2. Foothill Ditch Company 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 order shall become effective when Foothill Ditch Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50.

Dated at San Francisco, California, this 18<sup>th</sup> day of APRIL, 1978.

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

Robert Batiminedj  
President  
William Sproul Jr  
Vernon L. Sturgeon

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Commissioners