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Decision No. 891SS AUG 8 - 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the Fruitridge Vista Water)
Company to execute and issue a note in the) Application No. 58028
amount of \$87,000 secured by a Deed of) (Filed April 24, 1978)
Trust on real property.)

O P I N I O N

Fruitridge Vista Water Company (Fruitridge Vista) seeks authority to execute and issue a note in the amount of \$87,000, and to encumber utility property.

Fruitridge Vista, a California corporation, is a public utility engaged in the sale and distribution of water in a portion of Sacramento County. For the year 1977, the company reports total operating revenues of \$217,334, depreciation expenses of \$40,201, and net income of \$4,767. The utility's balance sheet on December 31, 1977, as set forth in its annual report to the Commission, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Utility plant	\$1,385,963
Less: Depreciation reserve	557,718
Net utility plant	<u>828,245</u>
Other assets	27,893
Total	<u>\$ 856,138</u>

<u>Liabilities and Capital</u>	
Capital stock	\$ 188,900
Capital surplus	787
Earned surplus	380,507
Notes payable	20,000
Advances for construction	129,263
Contributions in aid of construction	135,723
Other liabilities	958
Total	<u>\$ 856,138</u>

The utility's 1977 annual report shows that plant additions for the year amounted to \$192,182, including an outlay of \$123,927 for a new shop building. The application indicates that construction of the facility was financed in part with a \$15,000 temporary bank loan and partly with working capital obtained from the company's treasury.

In order to repay the short-term loan and to increase working capital through reimbursement of the treasury, Fruitridge Vista proposes to issue an \$87,000 note in favor of Bank of America National Trust and Savings Association, secured by a Deed of Trust and repayable over 25 years in monthly installments of \$768.21, including interest at the rate of 9-5/8% per annum. The utility may prepay all or any portion of the note at any time subject to a prepayment premium during the first five years if such prepayment exceeds 20% of the face value of the note; thereafter, prepayments may be made without payment of a premium. The bank would have the option of declaring the note due and payable upon 180 days written notice during the tenth, twelfth and sixteenth loan years.

Fruitridge Vista expects to generate sufficient funds internally to service requirements of the proposed debt; moreover, the company has filed a request for rate relief in Application No. 57401 and the matter is now before the Commission for a decision.

The Utilities Division reviewed the capital improvements made by the utility in connection with the staff's analysis of Application No. 57401 and determined that the expenditures for plant were proper. The Finance Division observes that the utility has generally financed its capital requirements with internally generated funds over the past several years, during which no dividends were paid. Fruitridge Vista's common stock equity position would represent about 87% of total capital as a result of the proposed note issue. The Finance Division, therefore, concludes that the utility's request is reasonable under the circumstances. Because of

time constraints confronting the utility, the staff recommends that the order be made effective as soon as possible.

After consideration the Commission finds that:

1. The proposed note would be for a proper purpose.
2. The proposed Deed of Trust would not be adverse to the public interest.
3. The money, property or labor to be procured or paid for by the note herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings 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. On or after the effective date hereof and on or before December 31, 1978, for the purpose specified in the application, Fruitridge Vista Water Company may execute and deliver a Deed of Trust and may issue a note in the principal amount of not exceeding \$87,000, which documents shall be in substantially the same forms as those attached to the application.
2. Fruitridge Vista Water Company shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable is hereby made a part of this order.

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3. This order shall become effective when Fruitridge Vista Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$174.

Dated at San Francisco, California, this 8th day of AUGUST, 1978.

Robert Bateman
President

William L. Symons, Jr.
Clare T. Dodrick

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

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

