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Decision No. 89189 AUG 8 - 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)	
DEER LAKE WATER CORPORATION, a)	Application No. 58220
California corporation, for authority)	(Filed July 10, 1978)
to execute a loan contract with the)	
United States Small Business)	
Administration for a \$20,000 loan.)	

O P I N I O N

Deer Lake Water Corporation (Deer Lake) requests authority to execute a loan contract with the United States Small Business Administration and to issue a note in the principal amount of \$20,000.

Deer Lake, a California corporation, provides public utility water service to approximately 92 active service connections in Deer Lodge Park, a subdivision located four miles east of Bluejay in San Bernardino County. For the year 1977, the company reported total operating revenue of \$10,386, depreciation expense amounting to \$2,715 and a net loss of \$4,985. By means of a separate advice letter filing dated February 16, 1978, the utility is seeking authority to increase its water rates by 62.6%.

Deer Lake's balance sheet as of December 31, 1977 is summarized as follows:

<u>Assets</u>	
Water plant less reserve for depreciation	\$90,302
Other assets	<u>5,422</u>
Total	<u>\$95,724</u>
 <u>Liabilities and Capital</u>	
Common stock	\$25,000
Capital surplus	55,584
Earned surplus	(30,520)
Open account advances from affiliated company	27,801
Advances for construction	1,824
Contributions in aid of construction	261
Current liabilities	<u>15,774</u>
Total	<u>\$95,724</u>

The outstanding open account advances represent the balance of cash advances received by the utility from Arrowhead Investment Co., which is controlled by Deer Lake's president.

Deer Lake proposes to execute a loan contract and to borrow \$20,000 from the United States Small Business Administration for the purpose of repairing storm damages suffered during February 1978. The loan would be repayable in annual installments over a period of 30 years with interest at the rate of 3% per year.

The utility plans to use the proceeds of the loan for the following purposes:

Land and road grading and building	
repairs	\$10,895
Equipment	5,663
Purchased water to replace	
contaminated water	1,000
Contingencies	<u>2,442</u>
Total	<u>\$20,000</u>

The Hydraulic Branch of the Utilities Division has reviewed the application and concludes that the funds are needed for the purposes set forth in the application.

After consideration the Commission finds that:

1. The proposed loan contract and the proposed note issue would be for proper purposes.
2. The money, property or labor to be procured or paid for by the note herein authorized is reasonably required for the purposes specified herein, which purposes are 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 herein. A public hearing is not necessary. The action taken herein shall not be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates. The applicant wishes to commence with the needed repairs to its system as soon as possible, and has requested an order effective upon payment of the prescribed fee.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before January 31, 1979, Deer Lake Water Corporation may execute a loan contract and may issue a \$20,000 note in favor of the United States Small Business Administration for the purposes and under the terms set forth in the application.
2. Within thirty days after execution of the loan agreement and issuance of the note, Deer Lake Water Corporation shall file one copy of each document with the Commission.

3. Deer Lake Water Corporation 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.

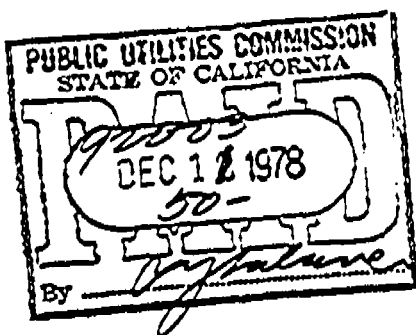
4. This order shall become effective upon payment of the \$50 minimum fee prescribed by Section 1904(b) of the Public Utilities Code.

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

Robert Bateman
President

Vernon L. Sturgeon
Arthur D. Howell

Commissioners



Commissioner William Symens, Jr., 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.