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Decision No. 89821 : JAN 4 1979

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WATER WEST CORPORATION )  
to execute a Long Term Loan Contract )  
with CROCKER NATIONAL BANK for a )  
maximum credit limit of \$250,000. )

Application No. 58484  
(Filed November 22, 1978)

O P I N I O N

Water West Corporation (Water West) seeks authority to establish a long-term line of credit not to exceed \$250,000 with Crocker National Bank.

Water West, a California corporation, is a public utility engaged in the sale and distribution of water in Monterey County. For the twelve months ended June 30, 1978 the company reports total operating revenues of \$324,669 and net income of \$24,089. The company's balance sheet as of June 30, 1978 is summarized below:

<u>Assets</u>	<u>Amount</u>
Net utility plant	\$1,329,299
Other assets	<u>14,785</u>
Total assets	<u>\$1,344,084</u>
 <u>Liabilities and Capital</u>	
Common stock	\$ 376,863
Capital surplus	23,502
Earned surplus	195,997
Notes payable	131,000
Advances for construction	490,278
Contributions in aid of construction	124,460
Other liabilities	<u>1,984</u>
Total liabilities and equity	<u>\$1,344,084</u>

Water West first established a line of credit with Crocker National Bank (Bank) in April 1974. Loans were on a 90-day basis and were renewable, either fully or in part. Loans were fully retired on three occasions since credit was granted. Applications of the borrowed funds have included development of new wells, purchase of a well site, replacement of mains, tank refurbishment, and addition of hypochlorination facilities.

Water West now desires to establish a long-term line of credit with the Bank. The applicant has received a letter of commitment from the Bank, setting forth the following terms:

1. Maximum credit of \$250,000.
2. Interest to be at a rate one percent in excess of the Bank's quoted prime rate.
3. Notes to be drawn on a "demand or one year basis" with each one year note to be renewed at maturity on the same basis.
4. No collateral will be required provided all other terms are adhered to properly.
5. Final maturity of the term loan not to exceed five years.

Water West expects to use the loan proceeds as follows:

Refinance existing notes	\$100,000
Drill and equip well #8, Bolsa	110,000
Equip well #3, Oak Hills	<u>40,000</u>
Total	<u>\$250,000</u>

The drilling and equipping of wells may be financed with internally generated funds, if such funds are available in an adequate amount. It is the applicant's intention to keep its line of credit at as low a level as possible.

Under the terms of the line of credit, monthly repayments of \$5,000, including both interest and principal, would be required. If the amount borrowed is less than \$250,000, the monthly payments would be reduced proportionately. For the year ended June 30, 1978 the company's cash flow available for debt service was about \$70,000, which is adequate to meet the maximum annual credit obligation. In addition, the company has filed Application No. 57996 for an increase in rates.

The Utilities Division has reviewed the application and agrees with the conclusion of the Finance Division that the authorization requested by the applicant is reasonable and should be granted.

After consideration the Commission finds that:

1. The proposed notes would be for proper purposes.
2. The money, property or labor to be procured or paid for by the notes 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 authority 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 for the purposes specified in the application and the applicant's letter to the Commission of December 1, 1978, Water West Corporation may issue notes in the principal amount not exceeding \$250,000 with terms substantially in accordance with those set forth in Exhibit C of the application.

2. Water West Corporation shall file with the Commission the report or reports 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 Water West Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$500.

Dated at San Francisco, California, this 4th day  
of JANUARY, 1979.

Robert B. ...  
President  
Charles J. ...  
Commissioners

Commissioners

