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SEP 12 1979

ORIGINAL

Decision No. 90789

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In The Matter Of The  
Application Of

RANCHO LAS POSAS WATER COMPANY

For Authorization To Issue  
Promissory Notes to

AL&C REALTY HOLDINGS CORPORATION

Application No. 58948  
(Filed June 20, 1979)

O P I N I O N

Rancho Las Posas Water Company (Rancho Las Posas) requests authority to issue promissory notes in the aggregate principal amount of \$476,818.98 to its parent, AL&C Realty Holdings Corporation (AL&C) pursuant to Sections 817 and 818 of the Public Utilities Code.

Notice of the filing of the application appeared on the Commission's Daily Calendar of June 22, 1979.

Rancho Las Posas, a California corporation, is a public utility which provides water service in a sparsely populated agricultural area known as Rancho Las Posas in Ventura County. The utility is a wholly-owned subsidiary of AL&C which acquired control from Kaiser Aetna. The authority to acquire control of Rancho Las Posas was granted by Commission Decision No. 90102, dated March 27, 1979 in Application No. 58645.

The application indicates that Rancho Las Posas inadvertently issued long-term unsecured promissory notes in the aggregate principal amount of \$476,818.98 to Kaiser Aetna during the years of 1973

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through 1976 without prior Commission approval as required by Section 825 of the Public Utilities Code. AI&C acquired the rights of Kaiser Aetna to receive payment for the amounts advanced upon the dissolution of Kaiser Aetna on September 29, 1977 as set forth in Application No. 58645. Promissory notes attached to the present application as Exhibits A, B, C and D are void under Sections 825 and 851 of the Public Utilities Code.

The utility's attorney advises the Commission that the advances made by Kaiser Aetna were used for capital improvements and for working capital. The Commission may approve funds used for these purposes. Copies of correspondence received by the Commission refer to "operating advances". The attorney has clarified that these are "working capital advances".

Applicant's balance sheet of December 31, 1978 as shown in the Annual Report to the Commission is shown as follows:

<u>Assets</u>	
Utility Plant Less Reserves for Depreciation	\$1,318,492
Current and Accrued Assets	46,866
Deferred Debits	44,512
Total	<u>\$1,409,870</u>
<u>Liabilities and Equity</u>	
Corporate Capital and Surplus	\$ 283,394
Long-Term Debt	1,328
Current and Accrued Liabilities	658,644 <sup>1/</sup>
Deferred Credits and Contributions	466,504
Total	<u>\$1,409,870</u>

1/ This figure contains \$476,818.98 in Account 223 - Payable to Associated Companies bearing a 10% interest rate recorded as notes payable and covers the amount of the promissory notes attached as Exhibit A, B, C and D.

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Applicant's income statement for the calendar year ending December 31, 1978 as presented in its annual report shows Rancho Las Posas generated total operating revenues of \$329,165 and a net loss of \$95,183 for the year then ended. Interest charged on the long-term loans (advances) totaled \$47,582, approximately 50.0% of the net loss incurred.

The Revenue Requirements Division and the Hydraulic Branch of the Utilities Division have reviewed the application and have no objection to granting the authority to issue the promissory notes to AL&C on the terms shown in the notes attached to the application as Exhibits A, B, C and D.

Findings of Fact

1. Rancho Las Posas is a California corporation wholly-owned by AL&C Realty Holdings Corporation, a Connecticut corporation.
2. Rancho Las Posas is a water utility subject to the jurisdiction of this Commission.
3. Ranch Las Posas, without Commission approval, borrowed long-term funds and issued promissory notes which are void under Sections 825 and 851 of the Public Utilities Code.
4. The proposed promissory notes are for proper purposes.
5. There is no known opposition and no reason to delay granting the authority requested.
6. The money, property or labor procured and paid for with the borrowed funds and covered by the notes herein authorized was required for the purpose specified herein, which purpose was not, in whole or in part, reasonably chargeable to operating expenses or income.

On the basis of the foregoing findings we conclude that Rancho Las Posas should be granted authority to execute new promissory notes.

Conclusions of Law

1. The application should be granted to the extent set forth in the order which follows.

2. A public hearing is not necessary.

The authorization granted herein 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.

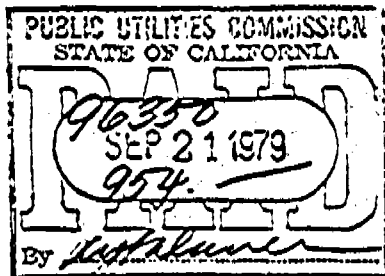
O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Rancho Las Posas may issue four promissory notes in the aggregate principal amount of not exceeding \$476,818.98 to its parent, AI&C Realty Holdings Corporation. These instruments shall replace corresponding documents which were issued and executed without authorization from the Commission and shall be in substantially the same forms as those attached to the application as Exhibits A, B, C and D.

2. This order shall become effective when Rancho Las Posas Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$954. In other respects the effective date of this order shall be the date shown hereon.

Dated SEP 12 1979, at San Francisco, California.



*John E. Snyo*  
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President  
*Joseph D. Charles*  
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*Charles J. DeLoach*  
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*James W. Ginn*  
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Commissioners