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Decision No. S2028 JUL 15 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of Santa Clarita Water Company
for Authority to Assume an
Indebtedness.

Application No. 59674
(Filed May 20, 1980)

O P I N I O N

Santa Clarita Water Company (Santa Clarita) requests authority from the Commission to assume an outstanding indebtedness of \$257,150.13 as of May 1, 1980, for the purpose of acquiring the office building the utility now occupies.

Santa Clarita requests this authority pursuant to Sections 816 through 830 and 851 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of May 22, 1980.

Santa Clarita is a California corporation owning and operating a public utility water system in an area lying generally north and east of Saugus, Los Angeles County.

In Decision No. 91372, dated March 4, 1980, in Application No. 57462, for authority to increase rates, the Commission determined that it is in the best interest of the utility and its ratepayers for Santa Clarita to acquire the office building it is presently renting, located at 22722 West Soledad Canyon Road, Saugus, California. In order to affect this acquisition, Santa Clarita proposes to enter into an Assumption Agreement with Valley Federal Savings & Loan Association (Valley Federal) of Van Nuys, California. Under the terms of that Agreement, Santa Clarita would assume all indebtedness and obligation provided in a certain note and trust deed dated July 16, 1976, given by Rodeo Land Company (Rodeo), an affiliate of Santa Clarita, to Valley Federal to evidence and secure respectively funds borrowed from Valley Federal by Rodeo with which to construct the office building. The promissory note for the original principal

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amount of \$265,000, provides for installment payments of principal (and interest at 10% per year) of \$2,409 on the first day of each month beginning July 1, 1977. By amendment to the note dated July 16, 1976, Rodeo agreed that as of each five-year interval from the date of the note the interest rate would be subject to review in the context of the then current money market rates and that the holder and the maker shall each have 60 days from the end of such a five-year interval to notify the other of such party's desire to renegotiate the interest to a mutually acceptable rate to be in effect for the balance of the next five-year interval. The note provides that in the event the parties fail to agree on a mutually acceptable interest rate, the holder shall have the option to accelerate maturity of the entire indebtedness evidenced by the note and any advances made under it or the instrument securing it; and in such event, the maker shall have the right of prepayment without penalty, but with liability for reconveyance fee and interest to date of prepayment at the rate in effect immediately prior to receipt of the holder's election to accelerate. As of May 1, 1980, the indebtedness due Valley Federal under said promissory note was \$257,150.13. Copies of the note, amendment thereto and deed of trust securing payment thereof, each dated July 16, 1976, are attached to the application as Exhibits A and B, respectively.

In order to effect the proposed assumption, Santa Clarita proposes to execute an Assumption Agreement in the form attached as Exhibit C to the application.

According to the financial statements attached to the application as Exhibit II, for calendar year 1979, Santa Clarita generated total operating revenues of \$1,554,301 and net income

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of \$109,580. The company's balance sheet as of December 31, 1979, is summarized from Exhibit I attached to the application as follows:

<u>Assets</u>	<u>Amount</u>
Utility Plant Less Accumulated Depreciation	\$6,724,644
Current Assets	940,132
Other Assets	<u>44,161</u>
Total	<u>\$7,708,937</u>
 <u>Liabilities and Equity</u>	
Common Equity	\$1,910,931
Long-Term Debt	85,933
Current Liabilities	867,031
Contributions and Advances for Construction	1,996,552
Deferred Credits and Other Liabilities	<u>2,848,490</u>
Total	<u>\$7,708,937</u>

The staffs of the Commission's Revenue Requirements Division and Utilities Division have reviewed the application and have determined that Santa Clarita has the financial ability to meet all obligations pursuant to the proposed Assumption Agreement and have found that the utility's request is reasonable under the circumstances.

Findings of Fact

1. Santa Clarita is a California corporation operating as a public water utility under the jurisdiction of this Commission.
2. The proposed assumption by Santa Clarita of obligations as set forth in the Assumption Agreement attached as Exhibit C to the application would be for a reasonable and proper purpose.
3. The proposed Promissory Note is for a proper purpose.
4. The proposed Deed of Trust would not be adverse to the public interest.

5. 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.

6. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. On the basis of the foregoing findings, we concluded the application should be granted.

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. Santa Clarita Water Company may enter into the Assumption Agreement, in the form attached as Exhibit C to the application, with Valley Federal Savings & Loan Association pursuant to which it shall obligate itself to pay a total of \$257,150.13 in accordance with the terms of the agreement for the purpose specified in the application.

2. Santa Clarita Water 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.

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3. This order shall become effective when Santa Clarita Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$516.

Dated JUL 15 1980, at San Francisco, California.

John E. Gynn
President
Vernon L. Stevenson
Arthur D. Goodale
Clair T. Dredgill
Arnold M. Dennis
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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