

RR/lq

Decision No. 92667 FEB 4 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Padua Hills Water
Service, Inc. to execute and issue
a \$165,690 unsecured note.

Application No. 59647
(Filed May 8, 1980)

Application of Padua Hills Water
Service, Inc. to execute and issue
a \$150,000 unsecured note.

Application No. 59651
(Filed May 8, 1980;
amended January 14, 1981)

O P I N I O N

Padua Hills Water Service, Inc. (Padua) requests authority, pursuant to Sections 816 through 830 of the Public Utilities Code as follows:

1. To issue an unsecured promissory note (Note) not to exceed the aggregate principal amount of \$165,690 and
2. To issue and sell 1,500 shares of Common Stock, \$10 par value, estimated to produce net proceeds of \$150,000.

Notice of the filing of the applications and the amendment appeared on the Commission's Daily Calendar of May 14 and 15, 1980, and January 15, 1981. No protests have been received.

In connection with Application No. 59647, Padua's attorney has provided the Commission with copies of long-term unsecured promissory notes issued inadvertently by Padua between May 26, 1976, and May 13, 1980, covering the following: Long-term loans - \$81,871.51; advances - \$37,763.03; and accrued interest computed annually at 8 percent - \$46,055.09 for a grand total of \$165,689.63. These funds were borrowed from H. H. Garner, Padua's president, without prior Commission approval as required by Section 818 of the Public Utilities Code. The application states that the monies received from H. H. Garner were used to provide for the utility's working capital needs and thereby to maintain service to Padua's customers.

Application No. 59651, dated May 8, 1980, was originally filed by Padua requesting authority to issue a second unsecured promissory note not to exceed \$150,000 for the purpose of making a capital improvement by replacing some deteriorated water mains. Since this would result in an unacceptable long-term debt ratio, Padua agreed to amend its application and to request authority to issue and sell 1,500 shares of Common Stock, \$10 par value, to produce net proceeds of \$150,000. This application was amended on January 14, 1981. The staff is informed that H. H. Garner plans to purchase all of the new stock.

Although the application makes no mention of accrued interest for the calendar year 1980, the staff observes that the notes carry a simple interest rate of 8 percent and would accrue \$13,255 in interest for the year 1980 and concludes this interest should be added to the new note authorized herein.

Padua, a California corporation, operates as a public water utility in an unincorporated area of Claremont in Los Angeles County. Padua's Income Statement for Calendar Year 1979 shown as Exhibit B, attached to the application, indicates that Padua generated total operating revenues of \$25,277 and a net loss of \$10,557.

Padua's Balance Sheet as of December 31, 1979, and adjusted to give effect to the current application as amended is summarized as follows:

<u>Assets</u>	<u>December 31, 1979</u>	<u>Pro Forma</u>
Net Utility Plant	\$143,672	\$156,927
Other Physical Property and Investments	57,418	57,418
Current Assets	<u>4,057</u>	<u>154,057</u>
Total	<u>\$205,147</u>	<u>\$368,402</u>
<u>Liabilities and Equity</u>		
Common Stock	\$ 38,237	\$188,237
Long-Term Debt	165,690	178,945
Current Liabilities	<u>1,220</u>	<u>1,220</u>
Total	<u>\$205,147</u>	<u>\$368,402</u>

Padua proposes to issue a promissory note in the amount of \$165,690 which will earn interest at 8 percent simple interest. The interest has been computed to December 31, 1979, and would earn another \$13,255 from January 1 through December 31, 1980. This note would replace the one issued inadvertently on May 13, 1980. It has been customary in the past to include the accrued interest and to issue a new note each year.

Padua also proposes to issue and sell 1,500 shares of its Common Stock, \$10 par value, to produce net proceeds of \$150,000 for the purpose specified in the application.

The staffs of the Revenue Requirements Division and the Utilities Division of the Commission have reviewed the applications as amended and conclude the applications, as amended, are reasonable and the authorities requested should be granted.

Findings of Fact

1. Padua is a California corporation operating as a public water utility under the jurisdiction of this Commission.
2. Padua, without Commission approval, borrowed long-term funds and issued promissory notes which are void under Section 825 of the Public Utilities Code.
3. The proposed promissory note and proposed common stock issue are for proper purposes.
4. The money, property or labor procured and paid for with borrowed funds and covered by the replacement note and common stock, herein authorized, are required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.
5. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. The applications, as amended, should be granted to the extent set forth in the order which follows.

2. A public hearing is not necessary.

The authorizations, granted herein, are for this proceeding only and are 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, Padua Hills Water Service, Inc. may issue to H. H. Garner a Promissory Note in the aggregate principal amount of \$178,945, which includes accrued interest of \$13,255 computed at 8 percent for calendar year 1980. This instrument shall replace a corresponding document issued on May 13, 1980, issued and executed without the required authorization from this Commission.

2. Padua Hills Water Service, Inc. on or after the effective date hereof and on or before December 31, 1981, may issue and sell not to exceed 1,500 shares of Common Stock, \$10 par value, to produce net proceeds of \$150,000.

3. Padua Hills Water Service, Inc. shall apply the net proceeds from the sale of stock, herein authorized, to the purposes set forth in the applications, as amended.

4. Padua Hills Water Service, Inc. 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.

A.59647, A.59651 RR/1c

5. This order shall become effective when Padua Hills Water Service, Inc. has paid the fee prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fee is \$658.

Dated FEB 4 1981, at San Francisco, California.

John E. Byrne President
Richard P. [unclear]
Thomas M. [unclear]

Commissioners

