

WATER/RHG

Mailed
7/25/97

Decision 97-07-044 July 16, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA UTILITIES)
SERVICE, INC. U-418-S, to issue notes)
not to exceed \$75,000.)

Application 97-05-036
(Filed May 16, 1997)

O P I N I O N

Summary of Decision

This decision grants California Utilities Service, Inc. (CUS) the authority requested in Application (A.) 97-05-036 (Application).

CUS requests authority, pursuant to §§ 817 et seq. of the Public Utilities (PU) Code, to borrow \$75,000 from Lewis E. Kootstra to repay by July 1997, a demand note to Alco Water Service (Alco).

Notice of the filing of the Application appeared on the Commission's Daily Calendar of May 20, 1997. No protests have been received.

Background

CUS, a California corporation, provides sewer service to approximately 1,060 residential sewer customers in an unincorporated area of Monterey County along Salinas Monterey Highway 68, running westerly about three miles from CUS' wastewater treatment plant adjacent to the Salinas River.

Pursuant to the Application and supplemental information thereto, CUS executed in January 1997, a \$75,000 demand note with Alco. The proceeds of this short-term loan were used for plant construction.

For the three months ended March 31, 1997, CUS reported it generated total operating revenues of \$118,253 and net income of \$3,107 as shown in Attachment B to the Application.

CUS' Balance Sheet for the same period, shown as Attachment A to the Application is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Property & Equipment	\$2,381,289
Current Assets	26,778
Other Assets	<u>19,858</u>
Total	\$2,427,865
 <u>Capitalization & Liabilities</u>	
	<u>Amount</u>
Stockholders' Equity	\$ 291,770
Long-Term Debt	141,685
Current Liabilities	288,096
Deferred Credits	<u>1,706,314</u>
Total	\$2,427,865

On April 24, 1997, CUS filed Advice Letter No. 22 requesting a Consumer Price Index for All Urban Consumers (CPI-U) rate increase of 3.3%.

Description of Financing

CUS contemplates repaying the demand note to Alco by entering into a \$75,000 secured loan with Lewis E. Kootstra, to be repaid over 60 months at 12% fixed interest rate.

CUS has been dealing with Kootstra for some of its financial requirements since 1991. Decision 95-11-022 dated November 8, 1995, authorized CUS to enter into a \$100,000 secured loan with Kootstra. As of December 31, 1996, the outstanding balance of this loan is \$85,837. Another loan for \$65,000 from Kootstra was fully amortized in December 1996.

CUS has indicated that it is having difficulty obtaining outside financing and thus believes it is opportune to avail itself of the Kootstra offer for its current requirement.

PU Code § 823(d) provides:

No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other evidence of interest or ownership, or of bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the commission.

CUS' proposed use of proceeds is for proper purposes and is not adverse to the public interest. For purposes of this Application and pursuant to PU Code §§ 818 and 832(d), we will approve CUS' intended discharge of its Alco demand note from the proceeds of the proposed loan.

CUS is placed on notice by this decision that the Commission may review the reasonableness of this debt in conjunction with a future ratemaking proceeding to the extent that it affects rates. The proceeds from this financing transaction cannot be charged to operating expenses or income.

Capital Ratios

CUS' capital ratios as of March 31, 1997, derived from Attachment A to the Application, are set forth below as recorded and as adjusted to give pro forma effect to the proposed debt:

Long-Term Debt	\$141,685	32.7%	\$216,685	42.6%
Stockholders' Equity	<u>291,770</u>	<u>67.3%</u>	<u>291,770</u>	<u>57.4%</u>
Total	\$433,455	100.0%	\$508,455	100.0%

We will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes.

Findings of Fact

1. CUS, a California corporation, operates as a sewer utility subject to the jurisdiction of this Commission.

2. CUS has need for external funds for the purpose set forth in the Application.

3. The proposed secured loan would not be adverse to the public interest.

4. The money to be paid for by this transaction is reasonably required for the purpose specified in the Application.

5. PU code § 823(d) provides that no note payable at a period of not more than 12 months after the date of issuance of such note shall be refunded, in whole or in part, by any issue of stocks or stock certificates or other evidence of interest or ownership, or of bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the Commission.

6. There is no known opposition to this Application, and the authority requested should be granted.

Conclusions of Law

1. A public hearing is not necessary.

2. The Application should be granted to the extent set forth in the order which follows.

3. The proposed loan is for lawful purposes and the money to be obtained is required for such purposes. Proceeds from the loan may not be charged to operating expense or income.

4. This authorization is not a finding of the reasonableness of the interest rate of the loan, nor does it indicate the amount to be included in a ratemaking proceeding.

5. CUS will pay the fee in accordance with PU Code § 1904(b).

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, California Utilities Service, Inc. (CUS) is authorized to borrow \$75,000 principal amount from Lewis S. Kootstra upon terms and conditions substantially consistent with those set forth in or contemplated by Application 97-05-036 (Application).

2. CUS may execute and deliver any or all related documents required for completion of the loan.

3. CUS shall apply the proceeds from the loan to repay the \$75,000 demand note to Alco Water Service.

4. CUS shall file with the Water Division a copy of the loan document and proof of full payment of the demand note within fifteen days of their execution.

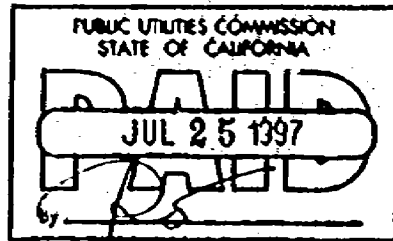
5. The authority granted by this order shall become effective when CUS pays \$150, the fee required by Public Utilities Code § 1904(b).

6. The Application is granted as set forth above.

A.97-05-036 WATER/RHG

7. This proceeding is closed.
This order is effective today.
Dated July 16, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners



CR# 39584
\$ 150 -

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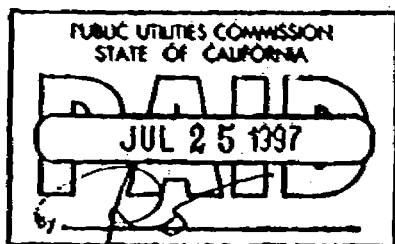
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