



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: January 13, 2000
 TO: Bob Casey, (Division of Water and WasteWater)
 FROM: Eva P. Samaan, (Division of Auditing and Financial Analysis) *ES*
 RE: Docket No. 980670-WS, Sanlando Utilities Corporation Request for a Corporate Undertaking *ALM*

Sanlando requests a corporate undertaking in the amount of \$797,718. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Sanlando cannot support a corporate undertaking on a stand alone basis, so staff reviewed the financial statements of the parent company, Utilities, Inc. (UI). UI will be responsible for supporting a corporate undertaking in the amount of \$797,718.

As the attached schedule indicates, UI has marginal liquidity, but good interest coverage, adequate profitability and sufficient ownership equity. Therefore, staff recommends that a corporate undertaking for Sanlando of \$797,718 is acceptable contingent upon the written guarantee of UI.

This brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in this proceeding.

- AFA _____
 - APP _____
 - CAF _____
 - CHS _____
 - CTR _____
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 - LEG _____
 - MAS _____
 - OPC _____
 - RRR _____
 - SEC _____
 - VAVW _____
 - OTH _____
- cc: Division of Legal Services
 Division of Records and Reporting
 Andrew L. Maurey

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Date: 01/12/00
Utilities, Inc. and Subsidiary Companies
Financial Analysis for Corporate Undertaking
Docket No: 980670-WS

	1998	1997	1996
Current Assets	\$12,566,469.00	\$11,261,934.00	\$10,862,352.00
Current Liabilities	21,546,322.00	16,876,750.00	7,739,957.00
Working Capital	(8,979,853.00)	(5,614,816.00)	3,122,395.00
Current Ratio	0.58	0.67	1.40
Common Equity	\$48,668,423.00	\$41,381,612.00	\$43,329,406.00
Total Long-term Debt	48,007,825.00	43,337,574.00	44,414,964.00
Total Investor Capital	96,676,248.00	84,719,186.00	87,744,370.00
Equity Ratio	0.50	0.49	0.50
Interest Expense	\$4,609,155.00	\$4,191,707.00	\$3,959,579.00
EBIT	11,206,696.00	9,760,649.00	5,766,087.00
Interest Coverage	2.43	2.33	1.45
Net Income	\$8,512,142.00	\$7,118,139.00	\$3,190,940.00
ROE	17.49%	17.20%	13.22%

Corporate Undertaking

\$797,718.00

Source: Utilities, Inc. Consolidated Financial Statements for 1997-1998