



Public Service Commission

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

DATE: February 26, 1999
 TO: Marshall Willis, (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 \$389,106. 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). The parent company is currently guaranteeing corporate undertakings for Mid-County Services, Inc., in the amount of \$483,840 (Docket 971065-SU) and for Lake Utility Services, Inc. in the amount of \$300,000 (Docket 960444-WU). Therefore, if this request is approved, UI will be responsible for supporting a cumulative corporate undertaking in the amount of \$1,172,946.

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 \$389,106 and a cumulative balance of \$1,172,946 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.

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEC _____
- LIN _____ cc: Division of Legal Services
- OPR _____ Division of Records and Reporting
- RCH _____ Andrew L. Maurey
- SEC 1 _____
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE

02583 MAR -1 99

FPSC-RECORDS/REPORTING

Date: 02/26/99
 Utilities, Inc. and Subsidiary Companies
 Financial Analysis for Corporate Undertaking
 Docket No: 980670-WS

	1997	1996	1995
Current Assets	\$11,261,934.00	\$10,862,352.00	
Current Liabilities	\$16,876,750.00	\$7,739,957.00	
Working Capital	(\$5,614,816.00)	\$3,122,395.00	
Current Ratio			
Common Equity	\$41,381,612.00	\$43,329,406.00	
Total Long-term Debt	\$43,337,574.00	\$44,414,964.00	
Total Investor Capital	\$84,719,186.00	\$87,744,370.00	
Equity Ratio			
Interest Expense	\$4,191,707.00	\$3,959,579.00	
EBIT	\$9,760,649.00	\$5,766,087.00	
Interest Coverage			
Net Income	\$7,118,139.00	\$3,190,940.00	
ROE			

Corporate Undertaking

• 1995 ratios as reported on docket 971065-SU

Source: Annual Reports Ending December 31, 1997, 1996, 1995