

Decision No. **46990**

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

SUBURBAN WATER COMPANY

for an order authorizing it (a) to execute a bank loan agreement with American Trust Company for a loan of \$100,000.00 and (b) pursuant to said agreement, to issue and sell a \$100,000 unsecured 3% note for the purpose of (1) acquiring capital additions and betterments in the aggregate amount of approximately \$76,700 and (2) reimbursing its treasury for \$23,300 expended from income for capital additions and betterments.

Application
No. 28858

O P I N I O N

In this application, Suburban Water Company, a corporation, asks permission to execute a loan agreement with American Trust Company, San Francisco, California, and issue its 3% unsecured promissory note in the principal amount of \$100,000, payable in annual installments of \$10,000, each, over a period of ten years. A copy of the loan agreement and the note are on file in this application as Exhibit "B".

Applicant is engaged as a public utility in the distribution of water in unincorporated territory in Santa Clara County adjacent to Sunnyvale and Mountain View, and in and in the vicinity of Loyola. Its financial statements on file with the Commission among other things show the following:

Year	Operating Revenues	Profit For Year	Service Connections	Increase In Plant
1942	\$63,592	\$12,206	1045	871
1943	65,737	11,837	1083	443
1944	65,348	10,851	1132	6,080
1945	72,083	17,671	1257	13,183
1946	84,328	30,070	1507	65,760
1947 (to Sept.30)	73,313	28,339	1809	65,461

The company's balance sheet as of September 30, 1947, shows assets and liabilities as follows:

Assets

Plant and property	\$546,280.58	
Less: depreciation reserve	<u>67,810.88</u>	
Net		\$478,469.70
Non-operating property		2,176.51
Cash and working funds		19,068.98
Accounts receivable-net		14,943.10
Prepaid expenses		621.65
Materials and supplies		<u>38,950.01</u>
Total		<u>\$554,234.95</u>

Liabilities

Capital stock	\$107,637.23
Long-term notes	155,000.00
Notes and accounts payable	20,909.49
Accrued liabilities	18,850.64
Consumers' and extension deposits	53,513.03
Donations in aid of construction	92,185.52
Earned surplus	<u>106,089.04</u>
Total	<u>\$554,234.95</u>

Under the authority granted by the Commission by Decision No. 38654, dated February 5, 1946, the company executed a loan agreement with American Trust Company, dated March 1, 1946, providing for a total credit of \$225,000 and issued \$175,000 of unsecured 2-3/4% notes, due over a period of ten years. Notes in the amount of \$155,000 were outstanding on September 30, 1947.

The company now desires to borrow additional sums and has made arrangements to execute a new loan agreement with American Trust Company providing for the issue of a note in the principal sum of \$100,000. The payment of the note will not be

secured by a deed of trust or mortgage. The note will bear interest at the rate of 3% per annum, payable monthly. The principal is payable in annual installments of \$10,000 commencing one year after date of the note. Applicant reserves the right, at its option, on the date of payment of any of the installments, to prepay without penalty, in an amount not less than \$1,000 or any multiple thereof, all or any part of the principal amount of the note remaining unpaid, with interest on the amount so prepaid accrued to such date of prepayment. The principal amount of each prepayment shall be applied on the latest maturing installment of the note remaining unpaid at the time. The unused credit provided in the agreement of March 1, 1946, will be canceled.

Applicant reports that it needs additional funds to reimburse its treasury in the amount of \$23,200 for moneys expended from income for capital additions during the period from January 1, 1946, to September 30, 1947, and to finance the cost, estimated at \$76,700, of additions and betterments now proposed. In this connection it reports that from January 1, 1946, to September 30, 1947, it expended \$113,060.26 for capital purposes and that of this amount \$58,410.01 was expended from income accrued during that period which has not been refunded through the issue of securities. The expenditures heretofore made and those contemplated are reported necessary to enable the company to supply the present consumers adequately and to meet increasing demands for service.

ORDER

The Commission has considered Suburban Water Company's requests and is of the opinion this is not a matter on which a hearing is necessary, that the money, property or labor to be

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procured or paid for through the issue of the note herein authorized is reasonably required by Suburban Water Company for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Company may, after the effective date hereof and on or before January 1, 1948, execute a loan agreement in, or substantially in, the same form as the loan agreement on file in this application as Exhibit "B".

2. Suburban Water Company may, after the effective date hereof and on or before January 1, 1948, issue to American Trust Company its 3% promissory note for the principal amount of \$100,000, subject to the provisions of said loan agreement, and use \$23,300 of the proceeds to reimburse its treasury for moneys expended from income for additions and betterments acquired prior to September 30, 1947, and \$76,700 to finance the cost of proposed additions and betterments as set forth in this application.

3. Within ninety (90) days after the issue of the note herein authorized, Suburban Water Company shall file with the Public Utilities Commission two (2) certified copies of the loan agreement executed under the authority herein granted, a copy of the note issued under the authority herein granted, and a statement showing the purposes for which it expended the proceeds of said note.

4. The authority herein granted will become effective when Suburban Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred (\$100.00) dollars.

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Dated at San Francisco, California this 1st day
of December 1947.

Harold F. Kille
Justus F. Grauer
Chas. H. Kille
A. J. Duntz

Commissioners.

