

Decision No. 45812**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 supplemental loan agree-
 ment with Pacific Mutual Life Insur-
 ance Company for an additional loan
 of \$175,000; (b) to issue its promis-
 sory note in the amount of \$175,000
 pursuant to said agreement; and (c)
 to execute a First Supplemental Inden-
 ture supplemental to its Mortgage of
 Chattels and Real Property dated
 May 3, 1949.

Application
 No. 32438

O P I N I O N

Suburban Water Company has filed this application for authorization to execute a supplemental loan agreement with Pacific Mutual Life Insurance Company; to execute a supplemental indenture, and to issue a 4% promissory note in the principal amount of \$175,000.

Applicant is a California corporation engaged as a public utility in the distribution of water in unincorporated territory in the County of Santa Clara near Sunnyvale, Mountain View and Loyola. In its financial reports for the last five years, it has reported its operating revenues and net income for each of said years, and its investment in fixed capital and number of service connections as of the end of each year, as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Fixed Capital</u>	<u>Service Connections</u>
1946	\$ 84,328	\$30,070	\$ 480,819	1,507
1947	108,455	32,921	536,676	1,834
1948	135,228	35,883	757,686	2,356
1949	177,576	52,203	862,258	3,095
1950	237,398	68,902	1,037,421	4,113

In Exhibit A filed in this proceeding, applicant has reported its assets and liabilities as of February 28, 1951. A summary of the same is as follows:

Assets

Plant and properties		\$1,099,558.26
Nonoperative building		1,914.43
Current assets -		
Cash	\$84,849.63	
Accounts receivable	17,743.19	
Material and supplies	25,733.47	
Prepaid expenses	<u>1,167.46</u>	
Total current assets		<u>129,493.75</u>
Total		<u>\$1,230,966.44</u>

Liabilities

Long-term debt		\$ 380,000.00
Current liabilities -		
Notes and accounts payable	\$21,330.20	
Accrued liabilities	58,741.69	
Consumers' deposits	<u>2,060.00</u>	
Total current liabilities		82,131.89
Extension deposits		197,828.45
Reserve for depreciation		95,607.28
Donations in aid of construction		49,623.19
Capital stock		107,687.23
Surplus		<u>318,088.40</u>
Total		<u>\$1,230,966.44</u>

By Decision No. 42840, dated May 10, 1949, the Commission authorized applicant to enter into a loan agreement with Pacific Mutual Life Insurance Company, to execute a mortgage of chattels and real property, and to issue, pursuant to the terms of said loan agreement, its promissory note in the principal amount of \$400,000, bearing interest at the rate of 4% per annum and maturing in annual installments of \$10,000 on April 1 of each of the years 1950 to 1973, inclusive, and in the amount of \$160,000 on April 1, 1974. The principal amount of the note has been reduced to \$380,000, as shown in the preceding balance sheet.

Applicant now reports that it is in need of additional funds to reimburse its treasury because of expenditures heretofore made for additions to its plant and to meet capital requirements

caused by the rapid growth in its service area. It estimates that during the year 1951 it will need approximately \$40,000 of additional working capital, and that it will expend for additions to its plant the sum of at least \$136,500 for the following purposes:

Land for new well site and tank site	\$ 2,000.00
Two new 150,000 gallon tanks	16,000.00
Six boosters	6,000.00
One new well	8,000.00
Two new pumps	5,500.00
Two new pump buildings	3,000.00
Pumping controls	5,000.00
One thousand meters	25,000.00
One thousand service connections	25,000.00
Mains	28,500.00
Office equipment	2,500.00
Miscellaneous	<u>10,000.00</u>

Total estimated cost of proposed additions \$136,500.00

In order to obtain the required funds, applicant has made, or proposes to make, a supplemental agreement with Pacific Mutual Life Insurance Company, under the terms of which said insurance company will advance to applicant the additional sum of \$175,000, to be represented by a promissory note, bearing interest at the rate of 4% per annum, payable in annual installments of \$4,500 commencing April 1, 1952, and continuing to and including April 1, 1973, with the balance payable on or before April 1, 1974. The payment of said note will be secured by the mortgage of chattels and real property now outstanding, as supplemented by a first supplemental indenture which applicant now proposes to execute.

A copy of the supplemental loan agreement has been filed in this proceeding as Exhibit B, a copy of the proposed note as Exhibit C, and a copy of the first supplemental indenture as Exhibit D.

It appears to the Commission that applicant will have need for the funds to be realized through the issue of the additional note to improve its financial position and to enable it to proceed

with its construction program. An order will be entered granting its request.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the note herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Company, after the effective date hereof and on or before December 31, 1951, may execute a first supplemental indenture, in, or substantially in, the same form as that filed in this proceeding as Exhibit D, and may issue a promissory note in the principal amount of \$175,000, in, or substantially in, the same form as that filed in this proceeding as Exhibit C, such issue to be made under and pursuant to the terms of the supplemental loan agreement filed in this proceeding as Exhibit B, which agreement applicant is authorized to enter into and to execute.

2. Suburban Water Company shall use the proceeds to be received through the issue of said note to reimburse its treasury, to finance the cost of additions to its plant and properties, and to provide working capital to maintain and improve its service and facilities as set forth in this application.

3. Suburban Water Company shall file with the Commission a copy of the note and supplemental indenture as actually executed

under the authority herein granted, such filing to be made within thirty (30) days after execution. Thereafter, applicant shall file monthly reports showing the purposes for which it has expended the proceeds from the issue 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 seventy-five (\$175.00) dollars.

Dated at San Francisco, California, this 12th day of June, 1951.

A. J. D. [Signature]
Harold A. [Signature]
Robert L. [Signature]

Commissioners

