

ORIGINAL

Decision No. 51400

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
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Application
No. 36879

O P I N I O N

Suburban Water Systems has filed this application for authorization to issue 16,000 shares of its Class B, 3% preferred stock, of the par value of \$50 and of the aggregate par value of \$800,000, in exchange, at dollar for dollar, for advances for construction.

Applicant is a California corporation engaged in furnishing water service by means of three systems known as its San Jose Hills, Whittier and Riviera systems, in a service area located near Whittier, Puente and Glendora, in Orange and Los Angeles counties, its water supply being obtained from wells or purchased from mutual water companies. The application shows that applicant's territory has experienced a substantial growth in population and that applicant's service connections have increased from 11,744 at the close of 1952 to 22,576 at the close of 1954, and its operating revenues from \$388,789 in 1952 to \$904,883 in 1954. At the close of the last calendar year it reported its investment in fixed assets at \$6,934,644, net after deducting reserves, and its general sources of funds to meet its capital requirements as follows:

	<u>Amount</u>	<u>Per Cent of Total</u>
First mortgage bonds -		
4-7/8's	\$2,000,000	
4-1/8's	<u>500,000</u>	
Total first mortgage bonds	\$2,500,000	37%
Advances for construction	<u>1,744,040</u>	<u>25</u>
Subtotal	4,244,040	62
Preferred stock -		
Class A, 5-1/4%	368,200	
Class B, 3%	<u>850,265</u>	
Total preferred stock	1,218,465	18
Common stock equity	<u>1,351,504</u>	<u>20</u>
Totals	<u>\$6,814,009</u>	<u>100%</u>

It now appears that applicant expects to increase its service to a total of 31,076 consumers by the end of 1955 and that it will be called upon to make capital expenditures in the amount of \$2,397,955, of which it is thought that \$1,221,935 will be financed through advances for construction purposes, leaving a remainder of approximately \$1,100,000 to be met from other sources. Applicant reports that it cannot engage in additional mortgage financing until it first obtains funds from junior securities.

During the past few years applicant has succeeded in obtaining a substantial portion of its junior financing through the medium of its Class B, 3% preferred stock and it hopes to continue during the present year with additional issues of this security. It anticipates that it will be able to convert at least \$800,000 of advances into preferred stock and accordingly seeks in this application authorization to do so.

In support of its request applicant asserts that its financing program will provide a large volume of low interest-bearing obligations and at the same time will result in a

distribution of its stock in and about its service area. In addition, the issue of shares as here proposed will eliminate the necessity of paying discounts, fees and other costs usually associated with the sale of securities.

Upon a review of the application we are of the opinion that applicant will have need for the issue of the shares as proposed, that the money, property or labor to be procured or paid for by the issue of the shares of stock 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.

Accordingly, we will enter our order granting the application.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Systems may issue not exceeding 16,000 shares of its Class B, 3% preferred stock on or before April 30, 1956, at par and in exchange, at dollar for dollar, for consumers' advances for construction.

2. Suburban Water Systems shall file with the Commission monthly reports as required by General Order No. 24-A, which order,

insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 3rd day of May, 1955.

John E. Meehan
President

Justin S. Calmes
Paul H. Minter

Montgomery D. Spaulding

Commissioners