

ORIGINALDecision No. 55135

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SUBURBAN WATER SYSTEMS, a California,)
 corporation, for an order authoriz-)
 ing the issuance and disposal of) Application No. 38298
 Class "A" and Class "B" preferred)
 stock and to amend its main exten-)
 sion rule.)

O P I N I O N

By its application as amended Suburban Water Systems requests authority to: (1) issue 16,000 additional shares of its Class "B" 3 per cent cumulative preferred shares of a par value of \$50 per share in exchange dollar for dollar for the retirement of refund contracts executed in accordance with Rule 19 of its former main extension rules; (2) issue 8,000 additional shares of its Class "A" 5½ per cent cumulative preferred shares of a par value of \$50 per share in exchange for the retirement of refund contracts executed in accordance with Rule 15 of applicant's present main extension rules, said issuance to be effected in accordance with Rule 12(a)¹ of applicant's main extension rules.

As justification for the authority sought applicant alleges that as of December 31, 1956, applicant had an outstanding balance of refund contracts pursuant to the former Rule 19 of \$1,162,505; that the contracts call for a repayment based on 35 per cent of annual revenues; that as of the same date applicant had a balance of \$1,444,777 in outstanding refund contracts executed pursuant to Rule 15, and the contracts call for annual repayment based on 22 per

¹ Applicant apparently here refers to Section A, Paragraph 12 of Rule No. 15.

cent of annual revenues; that as of the end of 1956 the refunds due on outstanding refund contracts amounted to \$137,337 whereas applicant's estimated net profit after taxes for the year 1956, was \$50,000, and that in view of the disproportionate relationship between applicant's obligations under its outstanding refund agreements and its net profits that it be authorized to issue stock as hereinabove set forth.

To the extent that the authorization granted herein constitutes a deviation from former Rule 19, such authorization is granted with the understanding that applicant will request no conversion of refund contracts made under present Rule 15 through the issuance of 3 per cent cumulative preferred stock for the duration of the applicability of said Rule 15. Also, conversions of refund contracts to either class of stock authorized herein are to be voluntary on the part of the subdivider or other party holding the refund contract.

The 3 per cent preferred stock is authorized for exchange on a basis of \$1 of par value for each \$1 of the unpaid balance of the advance for contracts made under former Rule 19.

The issuance of the 5½ per cent preferred stock is authorized for exchange on a basis of \$1 of par value for each \$1 of the present worth of the unpaid balance of the advance made under present Rule 15.

The authorization herein granted is for the issuance of certain securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

After consideration the Commission is of the opinion that the money, property, or labor to be procured or paid for by the

issuance of the stock hereinafter authorized, is reasonably required by Suburban Water Systems for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expense or to income, and that this application should be granted. A public hearing does not appear to be necessary.

O R D E R

Application having been filed and the Commission having been informed in the premises,

IT IS ORDERED:

1. That after the effective date hereof and on or before one year from the date hereof, Suburban Water Systems may issue and sell 16,000 shares of its Class "B" 3 per cent cumulative preferred shares of a par value of \$50 per share and 8,000 shares of its Class "A" 5½ per cent cumulative preferred shares of a par value of \$50 per share for the purposes set forth in the foregoing opinion.

2. That the authorization herein contained shall not be construed to modify or change the provisions of ordering paragraphs 4a, 4b, 5a, 5b and 6 of Decision No. 54532 dated February 11, 1957, in Application No. 34829, and Suburban Water Systems shall not issue shares of stock herein authorized in amounts exceeding for any one refund contract the actual costs associated with said contract.

3. That Suburban Water Systems shall file with this Commission a report, or reports, as required by General Order No. 24-A, which order in so far as applicable, is made a part of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 18th day of June, 1957.

[Signature]
President
[Signature]
[Signature]

Commissioners