

ORIGINAL

Decision No. 56188

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of

SUBURBAN WATER SYSTEMS, a
California corporation, for
authority to issue and sell
\$290,000 of its Class A
Preferred Stock

Application No. 39594
and Amendment

Arthur D. Guy, Jr., and C. A.
Garnier, for applicant.

O P I N I O N

Suburban Water Systems, a corporation, has filed this application for authorization to issue and sell \$290,000 par value of its Class A, 5-1/4% cumulative preferred stock.

The application was filed on November 26, 1957, and an amendment thereto on December 14, 1957. A public hearing was held before Examiner Coleman in Los Angeles on January 14, 1958, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The record indicates that during 1958 applicant will be called upon to spend approximately \$500,000 for additions to its facilities and \$200,000 to refund subdividers' advances and that it proposes to sell \$290,000 of preferred stock at this time to provide a part of the costs, as follows:

To buy stock in mutual water companies		\$ 25,000
To make improvements in water systems -		
Revise pressure zones in Whittier	\$ 50,000	
Tie Rivera systems together	15,000	
Construct Echelon booster	15,000	
Construct Nelson & Perth booster	14,000	
Construct 16" main on Whittier Blvd.	16,000	
Install 1,000 services at \$30 each	30,000	
Purchase 2,500 meters at \$30 each	75,000	
Main extensions	<u>50,000</u>	<u>265,000</u>
 Total		 <u>\$290,000</u>

The application shows that presently applicant serves in excess of 38,000 consumers in four general areas, namely: the Rivera area, the Whittier area, the Puente and West Covina areas and the Glendora area, and that it obtains its supply of water from wells it owns and from mutual water companies by virtue of its ownership of shares of mutual stock. According to Exhibit No. 1, it has acquired mutual shares at costs as follows:

<u>Name of Company</u>	<u>Total Shares in Company</u>	<u>Shares Owned by Suburban</u>	<u>Cost to Suburban</u>
California Domestic Water Co.	\$,005	57-3/4	\$ 4,797.00
La Habra Water Company	5,005	978-3/4	79,976.25
Murphy Ranch Mutual Water Co.	20,000	5,414	108,280.00
Covina Irrigating Company	10,000	465-1/2	16,306.24
La Puente Co-operative Water Co.	1,764	844	54,582.86
Valencia Water Company	412	275-8/15	34,441.67
Hollenbeck Street Water Co.	319-3/4	285-3/4	65,411.75
La Grande Source Water Company	697-3/4	594-3/4	44,108.00
Temple Avenue Mutual Water Co.	400	330	8,043.75
Victoria Mutual Water Company	632	None to date	-
 Total			 <u>\$415,947.52</u>

The testimony shows that it has been applicant's practice to acquire shares of mutual stock, when such shares no longer were needed by the former owners for irrigation purposes, in order to

augment its own supply of water for domestic distribution and that it has made its acquisitions at prices based on appraisals and fixed by negotiation. Applicant intends to proceed with further acquisitions during 1958 and eventually to acquire the facilities of the last five companies named in the preceding tabulation.

As to the proposed improvements, it is reported that the \$50,000 expenditure in the Whittier District for pressure purposes is required in order to meet the demands of customers for improved service. As to the \$15,000 expenditure in the Rivera area, it appears that there are two systems separated by the San Gabriel River, one of which has two wells producing water and the other, seven wells, and that the proposed expenditure is to interconnect the two systems and thereby provide auxiliary sources of supply in each direction. The new Echelon booster and the Nelson & Perth booster are designed to utilize the water supplies in the San Jose Hills District which are available from two mutual water companies and are considered necessary to meet the demands of new customers added during the 1957 season. The 16" main on Whittier Boulevard will extend easterly along Whittier Boulevard and will provide a continuous large carrying capacity to the easterly portion of the Whittier District. The remaining expenditures will finance costs not provided from subdividers' advances for new main extensions and the cost of new services and meters added each year to existing lines.

A review of the testimony and exhibits shows that applicant has need for funds from external sources to proceed with its construction activities, that its present borrowing capacity is limited

and that the issue of shares of preferred stock at this time is warranted and should be authorized.

The authorization herein given is for the issue of stock 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.

O R D E R

A public hearing having been held on the above-entitled matter and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Systems, on and after the effective date hereof and on or before February 28, 1959, may issue 5,800 shares of its Class A, 5-1/4% cumulative preferred stock of the par value of \$50 each and sell such shares for cash, at par, for the purposes set forth in this application.

2. Suburban Water Systems shall file with the Commission a report, or 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 on the date hereof.

Dated at San Francisco, California, this 4th day of FEBRUARY, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.