

ORIGINAL

Decision No. 60145

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SUBURBAN WATER SYSTEMS, a California corporation, for permission to reduce the par value of its common shares to \$10.00 per share; for authority, thereafter, to issue 5 common shares for each common share presently outstanding; and for permission to distribute to the common shareholders a stock dividend.

Application No. 41492
and Amendment

Petition for Modification
of Order

OPINION ON PETITION FOR MODIFICATION

On May 3, 1960, Suburban Water Systems filed a petition in the above-entitled matter for modification of the order in Decision No. 59907, dated April 12, 1960.

Decision No. 59907 authorized Suburban Water Systems, among other things, to issue and sell not to exceed \$290,000 par value of its common stock to the general public, for cash, at not less than par, subject to the conditions that applicant deliver a prospectus or letter to each proposed purchaser or recipient of stock and that applicant deposit the proceeds from the sale of the \$290,000 of common stock in a separate bank account and disburse the proceeds only for such purpose, or purposes, as the Commission might authorize in a supplemental order, or orders.

The decision also authorized the company to issue not to exceed \$350,000 of its \$10 par value common stock to the holders of its 5-1/4% cumulative preferred stock, of the par value of \$50 a share, in exchange, on the basis of 2-1/2 shares of common stock for each share of said preferred stock.

Applicant now asks the Commission to clarify the wording of its order with respect to the proposed prospectus or letter and also to enter an order authorizing the expenditure of the stock proceeds. It asserts that it will have need for funds from external sources to enable it to meet its 1960 capital requirements, including the payment of obligations and the installation of additions and improvements to its water works facilities. In the decision entered today in Application No. 41491, we have indicated, in a general way, applicant's cash position and we will not repeat such recitals in this decision. Suffice to say, it is clear that applicant will be required to meet capital expenditures which will be well in excess of the stock authorized in this proceeding and in Application No. 41491 so that, in our opinion, a formal order at this time with respect to the disposition of the stock proceeds is warranted. Such an order is not to be construed as an approval of all the items contained in the company's budget nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates. In the absence of definite information, we will not authorize the use of stock proceeds to pay for mutual water company stock.

As to the proposed exchange of common shares for 5-1/4% cumulative preferred shares, the original exchange rate was based on the proposition that the number of outstanding common shares first would be increased by a stock dividend. The Commission denied the company's request to issue common stock for this purpose and hence applicant has found it necessary, and herein seeks authorization, to modify the exchange rate. This modification will result in a total offering of \$140,000 of common stock, on a share-for-share basis, instead of \$350,000 of common stock on a 2-1/2-for-one basis, as originally proposed. The company's request seems reasonable.

We will enter our order in accordance with the foregoing recitals and conclusions. In our opinion, the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein and the expenditures herein authorized are not, in whole or in part, reasonably chargeable to operating expenses or to income.

ORDER ON PETITION FOR MODIFICATION

The Commission having considered the petition for modification filed in this proceeding and being of the opinion that a public hearing is not necessary and that the petition should be granted, only to the extent herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Systems, on or after the effective date hereof and on or before June 30, 1961, may issue not to exceed \$140,000 par value of its \$10 common stock to the holders of its 5-1/4% cumulative preferred stock, for exchange, on the basis of one share of common stock for each share of preferred stock so held, this authorization to be in lieu of the \$350,000 par value of common stock which was authorized by the order in Decision No. 59907, dated April 12, 1960.

2. Paragraph 3.(b) of the order in said Decision No. 59907, dated April 12, 1960, be, and it hereby is, modified so as to read as follows:

"In offering said stock for sale or for exchange, applicant shall deliver to each proposed purchaser or recipient of such stock, a prospectus or letter stating on its face that the authorization of the Commission shall not be construed as obligating the State of California to pay or guarantee a return on the stock in any way whatsoever, said prospectus or letter to contain, among other things, the company's balance sheet which shall represent that the Commission in fixing rates did not consider certain items, aggregating \$1,263,359, as proper for rate-making purposes."

3. Suburban Water Systems may use the proceeds from the sale of the \$290,000 par value of common stock authorized by Decision No. 59907, dated April 12, 1960, for the purpose of paying outstanding debts, of meeting payments as they become due on subdividers' refund contracts, and of financing the cost of additions and betterments to its plants and


properties, provided, however, that applicant shall not use any part of such proceeds to pay for mutual water company stock or for main extensions which must be financed in accordance with the company's filed tariffs.


4. Except as modified herein, the order in Decision No. 59907 shall remain in full force and effect.


5. This order shall become effective on the date hereof.

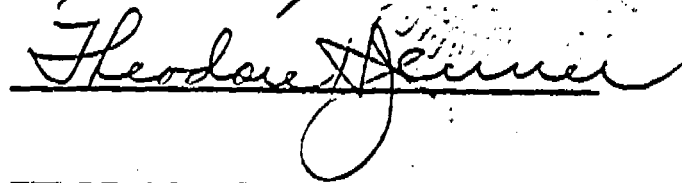
Dated at San Francisco, California,
this 24th day of May, 1960.

EVERETT C. MAKEAGE
President
MATTHEW J. DOOLEY
C. LYN FOX
THEODORE H. JENNER
Commissioners



President






Commissioners