

**ORIGINAL**Decision No. 61573

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 sell  
and issue \$290,000 of its Series "A"  
5-1/4% Cumulative Preferred Shares.

Application No. 42994

O P I N I O N

In its application, filed December 23, 1960, Suburban Water Systems, a California corporation, requests the Commission to authorize it to issue and sell at not less than par, for cash, not to exceed \$290,000 par value of its Series "A" 5-1/4% Cumulative Preferred Stock.

A statement, prepared from Exhibit B filed in the proceeding, shows applicant's capital structure, as of October 31, 1960, as follows:

Long-term debt	\$ 6,182,000	44%
Notes payable	563,931	4
Advances for construction	1,851,802	13
Subtotal	8,597,733	61
Preferred stock -		
Series "A", 5-1/4%	\$1,700,823	
Series "B", 3%	1,879,870	
Total preferred stock	3,580,693	25
Common stock and surplus -		
Common stock	433,550	
Capital surplus	999,505	
Earned surplus	567,389	
Total common stock and surplus	2,000,444	14
Total	\$14,178,870	100%

As of the same date, applicant reported current assets of \$1,069,368 and current liabilities of \$1,117,391, exclusive of any amounts which may become payable within one year on advances for construction and long-term debt.

In presenting this matter to the Commission, applicant reports that sale of its Series "A" 5-1/4% Cumulative Preferred Stock is necessary in order to create bondable capacity to permit the issue of additional bonds. Exhibit C shows applicant's estimated cash requirements during the period November 1, 1960 to December 31, 1961 as follows:

Sinking fund on bonds	\$ 112,000
Pay dividends	155,000
Reduce accounts payable	24,000
Pay accrued interest on bonds	52,000
Pay income tax	160,000
Repay bank loans	1,000,000
Debt expense	15,000
Purchase mutual water company stock	100,000
Pay 1960-1961 refunds	370,000
Construct tract facilities	300,000
Construction budget	1,027,000
Additional construction to improve facilities	<u>344,000</u>
Total	<u>\$3,659,000</u>

Exhibit C also shows that the company will meet its requirements, in part, with internally generated funds and, in part, with advances, bank borrowings, long-term debt and preferred and common stock.

The application as well as testimony adduced at the hearing in the matter of Application No. 39594, as amended, indicate that applicant has sold stock in the past to subdividers

and that it intends to sell the stock requested in this application to subdividers for cash in lieu of entering into refund agreements contemplated by the main extension rule.

It is not the desire of this Commission to prevent the sale of securities to any of the general public for investment purposes and the order which follows will provide only that in offering the stock for sale the company shall first notify a prospective purchaser in writing that a purchase of the stock will not relieve the purchaser of any obligation which may exist to advance costs as provided under the main extension rule.

The Commission heretofore has authorized applicant to issue and sell Series "A" shares under a program similar to that presented in this application. The company reports that in conformity with the terms and conditions of the Commission's earlier permits it did not use proceeds from the sale of stock authorized therein to provide the cost of main extensions which must be provided by advances in accordance with the company's filed tariffs or to pay for mutual water company stock. The decision which follows will also contain these same terms and conditions.

The authorization herein given is for the issue of stock 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

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Systems, on or after the effective date hereof and on or before December 31, 1961, may issue not to exceed 5,800 shares of its Series "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 provided that in offering the stock for sale, the company shall first notify a prospective purchaser in writing that a purchase of the stock will not relieve the purchaser of any obligation which may exist to advance costs as provided under the main extension rule.

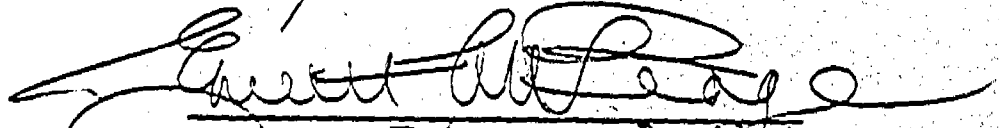
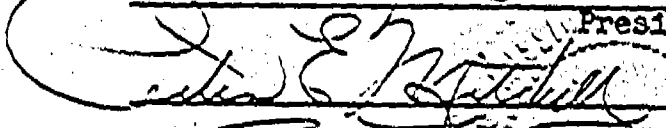
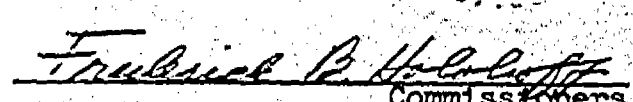
2. Suburban Water Systems shall deposit the proceeds from sales of such stock directly in a separate bank account and shall disburse said proceeds directly from the bank account for the purposes specified, provided, however, that -

- (a) Applicant shall finance only such expenditures as properly are chargeable to utility plant and other investment accounts as defined in the uniform system of accounts which has been prescribed for water utilities.
- (b) Applicant shall not use the proceeds from the sale of said stock to provide the cost of main extensions which must be provided by advances in accordance with the company's filed tariffs or to pay for mutual water company stock.

3. On or before the 25th day of each month, in accordance with the terms of General Order No. 24-A, applicant shall file with the Commission a report of the issue of the stock under the authorization herein granted and of the disposition of the proceeds.

4. The effective date of this order shall be 20 days after the date hereof.

Dated at San Francisco, California,  
this 28th day of February, 1961.

  
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President  
  
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S. J. Fox  
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Commissioners