

ORIGINAL

Decision No. 80024

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 issue \$2,000,000)
 of Convertible Junior Bonds and)
 \$200,000 of Common Stock.)

Application No. 53261
 (Filed April 13, 1972)

O P I N I O N

Suburban Water Systems seeks an order of the Commission authorizing it (a) to execute an Indenture, (b) to issue \$2,000,000 of its 8-1/2% Convertible Junior Bonds due September 30, 1977, and 4,000 shares of its Common Stock at \$50 per share, and (c) to issue such number of shares of its Common Stock as may be required in exchange for the Convertible Junior Bonds.

Applicant is a California corporation furnishing water service to approximately 45,000 general metered customers in two areas referred to as the San Jose Hills area and the Whittier area, in the County of Los Angeles.

The company proposes to issue and sell \$2,000,000 aggregate principal amount of noncallable Convertible Junior Bonds and 4,000 shares of \$10 par value Common Stock. The Convertible Junior Bonds and Common Stock would be sold in units consisting of multiples of \$500 principal amount of bonds and one share of stock at a cost to the purchaser of \$550 per unit. The Convertible Junior Bonds would be due September 30, 1977, and would bear interest at the rate of 8-1/2% per annum payable quarterly. Prior to October 1, 1973, the Junior Bonds

would be convertible at the option of the holder thereof at the rate of one share of Common Stock for each \$50 of face value of the bonds. The conversion rate would increase by one dollar during each subsequent twelve-month period until it reaches \$54 commencing October 1, 1976 and ending September 30, 1977.

The utility intends to use \$1,000,000 of the \$2,200,000 anticipated security issue proceeds for retiring \$1,000,000 of outstanding short-term notes issued for obtaining funds used for plant additions, payment on refund contracts, or to retire other notes, proceeds of which were similarly used. The company would apply the remaining \$1,200,000 toward constructing utility plant, reimbursing and increasing working capital, and paying refunds as they become due on main extension contracts in estimated amounts of \$800,000, \$210,000 and \$190,000, respectively.

The application shows that, on a pro forma basis after giving effect to the proposed sale of \$2,000,000 of Junior Bonds and 4,000 shares of Common Stock at \$50 per share, the utility's capitalization ratios would consist of 46% equity and 54% debt exclusive of advances for construction. The \$50 per share assigned to the company's Common Stock is the price authorized by Decision No. 78146, dated January 5, 1971, as modified by Decisions Nos. 78583, 79080 and 79651, dated April 20, 1971, August 24, 1971 and February 1, 1972, respectively, in Application No. 52130.

After consideration the Commission finds that:

1. Applicant has need for funds from external sources for the purposes set forth in this proceeding.
2. The proposed stock and bond issues are for proper purposes.

3. The terms and conditions pertaining to the proposed stock and bonds are reasonable.
4. The proposed Indenture would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Suburban Water Systems may execute and deliver an Indenture in substantially the same form as Exhibit A attached to the application.
2. Suburban Water Systems, on or after the effective date hereof and on or before December 31, 1972, for the purposes specified in this proceeding, may issue and sell

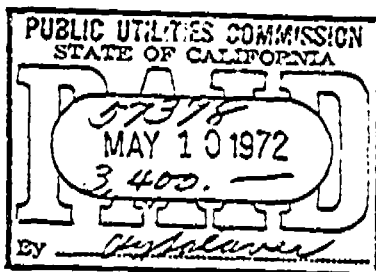
not exceeding \$2,000,000 in 8-1/2% Convertible Junior Bonds due September 30, 1977, and 4,000 shares of Common Stock for cash in multiples of units consisting of \$500 principal amount of Convertible Junior Bonds and one share of Common Stock at \$50, for a total price of \$550 per unit.

3. Suburban Water Systems may issue such number of shares of its Common Stock for the Convertible Junior Bonds as may be required at the conversion rates described in this proceeding.

4. Suburban Water Systems shall file with the Commission the reports required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

5. This order shall become effective when Suburban Water Systems has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fees are \$3,000 and \$400, respectively, or a total of \$3,400.

Dated at San Bernardino, California, this
7th day of MAY, 1972.



[Signature] Chairman
William L. Brown
[Signature]
James L. Stinger
[Signature] Commissioners