

LOB

ORIGINAL

Decision No. 81920

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 authorizing it to issue)
and sell \$3,500,000 First)
Mortgage Bonds, execute Eighth)
and Ninth Supplemental Trust)
Indentures.)

Application No. 54313
(Filed September 12, 1973)

O P I N I O N

Suburban Water Systems seeks authority to issue and sell \$3,500,000 of its First Mortgage Series F 9% Bonds, Due October 1, 1993, and to execute two supplemental indentures.

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 utility reports that its first mortgage debt is at the limit permitted by the present Trust Indenture, and currently constitutes only 35% of its capitalization. In order to increase the bonding capacity and to alleviate the coverage burden, applicant proposes to execute an Eighth Supplemental Trust Indenture.

The Series F Bonds would be secured by a Trust Indenture dated as of October 1, 1953, as modified by certain documents including said Eighth Supplemental Trust Indenture and a Ninth Supplemental Trust Indenture. A ten-year restricted redemption provision would apply to the proposed bond issue.

The company proposes to sell its Series F Bonds, at a price of 100% of their principal face amount plus accrued interest to Pacific Mutual Life Insurance Company, Occidental Life Insurance Company of California and The Lincoln National Life Insurance Company in respective amounts of \$1,250,000, \$1,000,000 and \$1,250,000.

Exhibit C, attached to the application, shows the proposed use of proceeds, other than accrued interest which would be used for general corporate purposes, in estimated amounts as follows:

| | |
|-----------------------------------|--------------------|
| Refunding First Mortgage Series A | |
| 4-7/8% Bonds, Due October 1, 1973 | \$1,376,000 |
| Refunding First Mortgage Series B | |
| 4-1/8% Bonds, Due October 1, 1974 | 526,000 |
| Installation of utility plant | 150,000 |
| Payment on refund contracts | 140,000 |
| Retirement of short-term debt | 997,000 |
| Replenish working capital | <u>311,000</u> |
| Total | <u>\$3,500,000</u> |

According to said Exhibit C, the company used the \$997,000 of short-term debt funds for (a) paying refunds actually due on advances for construction, (b) the installation of utility plant, and (c) reimbursement of working capital.

Applicant's capitalization percentages at July 31, 1973, and as adjusted to give effect to the proposed bond issue, are summarized from page 8 of the application as follows:

| | <u>July 31, 1973</u> | <u>Pro forma</u> |
|----------------------------------|----------------------|------------------|
| Common equity | 23% | 22% |
| Preferred equity | 26 | 25 |
| First mortgage bonds | 35 | 43 |
| Debentures and convertible bonds | 8 | 8 |
| Short-term loans | 6 | - |
| Other debt | <u>2</u> | <u>2</u> |
| Total | <u>100%</u> | <u>100%</u> |

After consideration the Commission finds that:

1. Applicant has need for external funds for the purposes set forth in this proceeding.
2. The proposed bond issue would be for proper purposes.
3. The proposed restricted redemption provision is reasonable.
4. The proposed supplemental indentures 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 bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

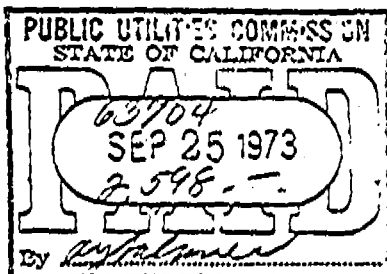
On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Suburban Water Systems may execute and deliver an Eighth Supplemental Trust Indenture and a Ninth Supplemental Trust Indenture in substantially the same forms as Exhibit D and the attachment to Exhibit E, respectively, filed in this proceeding on September 12, 1973.
2. Suburban Water Systems may issue and sell not exceeding \$3,500,000 aggregate principal amount of its First Mortgage Series F 9% Bonds, Due October 1, 1993, in accordance with a Purchase Agreement substantially in the form attached to the application as Exhibit E.
3. Suburban Water Systems shall apply the net proceeds from the sale of said bonds to the purposes set forth in the foregoing opinion.
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 fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,598.

Dated at San Francisco, California, this 25th day of September, 1973.



Vernon L. Sturgeon
President
William J. ...
...
...
Commissioners