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ORIGINAL

Decision No. 4796

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

* * * *

In the Matter of the Application of)
SAN JOSE WATER WORKS,) Application
a corporation, for permission to sell) No. 3266.
stock and pay outstanding notes.)

Leib & Leib for applicant.

EDGERTON, Commissioner.

O P I N I O N .

In this application, SAN JOSE WATER WORKS asks authority to issue at not less than par \$135,000.00 par value of its capital stock. The proceeds from \$125,000.00 of stock applicant desires to use to pay short term notes set forth in the order herein. Stock in the amount of \$20,000.00 applicant desires to issue to reimburse its treasury for capital expenditures.

Applicant reports that since June 1, 1916, it has expended for capital purposes the sum of \$195,554.42. These expenditures are segregated by applicant as follows:

Rights of Way,	\$77,789.10
Water Rights,	2,271.70
Real Estate,	18,070.70
Pumping Capital,	32,464.18
Distribution Capital,	118,971.81
General Capital,	22,986.93
Total,	\$195,554.42

The moneys necessary to make these expenditures applicant reports have been obtained from the following sources:

Issue of Notes,	\$115,000.00
Investment of Depreciation Reserve, . . .	35,317.84
From Salvage of Property Retired, . . .	8,501.64
From other sources,	<u>35,734.94</u>

Total, \$194,554.42

The \$35,734.94 is said by applicant to represent surplus earnings expended for capital purposes. On September 30, 1917, applicant reported an accumulated surplus amounting to \$41,864.14. It is because of the expenditure of a part of this surplus for capital purposes that applicant desires to issue \$20,000.00 par value of its stock to reimburse its treasury.

For years San Jose Water Works, and its predecessor, San Jose Water Company, have been paying a 6 per cent dividend on the outstanding capital stock.

While applicant in this application requests authority to issue its stock at not less than par, it is of the opinion that it will encounter no difficulty in selling the stock at 105. Applicant is paying 6 per cent interest on the \$115,000.00 of notes which it desires to refund through the issue of stock. Should it be able to dispose of its stock at 105, it will effect a material saving in the interest being paid on moneys expended for capital purposes.

San Jose Water Works acquired the properties of the San Jose Water Company on June 1, 1916. The Commission heretofore has authorized applicant to issue \$1,735,000.00 par value of stock, (Vol. 10, Opinions and Orders of the Railroad Commission of California, page 56 and page 221). Of the stock so authorized, applicant was permitted to issue \$1,500,000.00 in exchange for the properties of the San Jose Water Company and use \$235,000.00 to refund

notes. Of the stock authorized to be issued, applicant has actually issued \$1,726,100.00. Inasmuch as applicant was able to sell part of its stock at from 104 to 105, it found it necessary to issue but \$226,100.00 of the \$235,000.00 of stock authorized to be issued to refund notes.

I believe that this application should be granted and herewith submit the following form of order.

O R D E R.

SAN JOSE WATER WORKS having applied to the Railroad Commission for authority to issue \$135,000.00 par value of common capital stock, and a hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that SAN JOSE WATER WORKS be, and it is hereby, granted authority to issue \$135,000.00 par value of its common capital stock.

The authority hereby granted is granted upon the following conditions and not otherwise:

- 1.-- The stock herein authorized to be issued shall be sold by applicant for cash at not less than the par value thereof.
- 2.-- Of the stock herein authorized to be issued, applicant may issue \$125,000.00, or such amount as may be necessary, to refund or pay the following notes:

P a y e e	Date of Issue	Term	Interest	Amount
Asay, Fannie E.	:Aug. 17/17	:3 Months:	6%	\$ 1,000.00
Blauer, Clarence A.	:Aug. 6/17	:3 Months:	6%	1,000.00
Bell, R.R.	:Aug. 8/17	:3 Months:	6%	5,000.00
Bell, R.R.	:May 7/17	:6 Months:	6%	5,000.00
Bruce, Morris M.	:May 4/17	:6 Months:	6%	1,000.00
Bernal, Eliz. Miller	:June 8/17	:6 Months:	6%	500.00
Bernal, Eliz. Miller	:July 25/17	:4 Months:	6%	200.00
Campan F.B.	:Sept. 20/17	:3 Months:	6%	5,000.00
Cunningham, Sarah L.	:March 9/17	:6 Months:	5%	5,000.00
Edwards, Mary H.	:Aug. 7/17	:3 Months:	6%	500.00
Green, Gladys S.	:Aug. 14/17	:3 Months:	6%	500.00
Hellwig, Christian	:July 10/17	:5 Months:	6%	5,000.00
Hauch, E.F.	:March 1/17	:6 Months:	5%	1,000.00
Harmon, John B.	:June 12/17	:6 Months:	6%	2,500.00
Kittridge, H.S.	:Aug. 6/17	:3 Months:	6%	4,000.00
Koch, A.J.	:June 20/17	:6 Months:	6%	10,000.00
Lewis Co., The	:Sept. 6/17	:3 Months:	6%	1,100.00
Lewis Co., The	:Aug. 18/17	:3 Months:	6%	1,500.00
Lewis Co., The	:Aug. 17/17	:3 Months:	6%	3,200.00
Lewis Co., The	:Aug. 13/17	:3 Months:	6%	1,000.00
Lewis Co., The	:Aug. 1/17	:3 Months:	6%	2,000.00
Lewis Co., The	:July 31/17	:4 Months:	6%	1,000.00
Lewis, J.W.	:Apr. 18/17	:6 Months:	6%	1,000.00
Lathrop, C.G.	:May 23/17	:6 Months:	6%	5,000.00
McKee, Geo. B.	:Aug. 15/17	:3 Months:	6%	2,000.00
McKee, Geo. B.	:June 7/17	:6 Months:	6%	3,000.00
McDougall, Anna E.	:July 30/17	:4 Months:	6%	2,000.00
McCabe, Bessie C.	:July 28/17	:4 Months:	6%	3,000.00
Prindiville, Jas.F.	:Aug. 15/17	:3 Months:	6%	2,000.00
Riedsam, F.W.	:July 5/17	:6 Months:	6%	1,000.00
Singletary Bros.	:Sept. 11/17	:3 Months:	6%	1,000.00
San Jose Abstract Co.	:Aug. 21/17	:3 Months:	6%	6,400.00
San Jose Abstract Co.	:Aug. 13/17	:3 Months:	6%	600.00
San Jose Abstract Co.	:July 26/17	:4 Months:	6%	3,000.00
Snow, F.T.	:May 25/17	:6 Months:	6%	1,000.00
Thompson, Mary K.	:Apr. 19/17	:6 Months:	6%	2,000.00
Widney, John	:Aug. 17/17	:3 Months:	6%	1,000.00
Williams, M.W.	:July 27/17	:4 Months:	6%	10,000.00
Willey, Henrietta A.	:Aug. 16/17	:3 Months:	6%	4,000.00
				<u>105,000.00</u>
Campan, C.G.	:Oct. 17/17	:1 Month:	6%	2,000.00
Campan, F.B.	:Oct. 13/17	:1 Month:	6%	2,400.00
Lewis Company	:Oct. 13/17	:1 Month:	6%	600.00
Costello, E.A.	:Oct. 18/17	:1 Month:	6%	500.00
Lyndon, Marion M.	:Oct. 18/17	:1 Month:	6%	500.00
Levy, J.	:Oct. 19/17	:1 Month:	6%	4,000.00
				<u>4,000.00</u>
				<u>\$115,000.00</u>

3.- Applicant may use the proceeds of \$20,000.00 of stock herein authorized to be issued to reimburse its treasury for capital expenditures.

4.- San Jose Water Works shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5.- The authority herein granted to issue stock shall apply only to such stock as may be issued on or before July 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of October, 1917.

Max Thelen
H. D. Loveland
Edwin O. Edgerton

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