

Decision No. 705
ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

.....
In the matter of the application of :
SAN JOSE WATER COMPANY, a corporation, : Application No. 559
to issue promissory notes to the amount:
of \$100,000. :
.....

S. F. Leib for applicant.

CORDON, Commissioner:

O P I N I O N .

San Jose Water Company applies to this Commission for permission to issue its promissory notes to the aggregate amount of \$100,000. San Jose Water Company is supplying water to the City of San Jose and to the City of Los Gatos and the territory in the vicinity of these two cities in Santa Clara County, California.

San Jose Water Company has an authorized capital stock of 12,500 shares of the par value of \$1,250,000, all of which stock is common, and the entire amount has already been issued. Applicant has no bonded indebtedness, the only indebtedness of applicant consists of outstanding notes and accounts payable amounting together to the sum of - \$50,253.91. The value of the physical properties of the San Jose Water Company, as submitted by applicant, amounts to \$1,310,873.88

The money derived from the notes which applicant desires to issue is to be used for the following purposes:

1.	To refund outstanding notes of applicant,	\$46,000.00
2.	To pay for new construction in applicant's plant,	\$29,000.00
3.	To pay for certain property purchased from Pacific Gas and Electric Company,	<u>\$25,000.00</u>
	Total	\$100,000.00

The first of these items is made up of five promissory notes which applicant has issued during the past two years, all of the money derived from these notes having been spent in making additions to applicant's plant. The notes are specified in the order attached to this opinion.

The second of these items is made up of certain estimated improvements to be made in applicant's plant. These estimates are given in detail in the order, and I believe that the estimates submitted are reasonable and should be approved.

The third of these items consists of the amount which applicant is to pay to Pacific Gas and Electric Company for certain property along the Los Gatos Creek, and certain rights to the water from this creek. In Application No. 558 - being the application of Pacific Gas and Electric Company to sell this property and of San Jose Water Company to purchase the same - the Commission made its order on the 6th day of June, 1913, permitting the consummation of this transfer. The property transferred is set forth in detail in the proposed contract of sale attached to Application No. 558 and marked "Exhibit A."

I recommend that this application be granted and submit herewith the following form of order:

O R D E R .

San Jose Water Company having applied to this Commission for permission to issue its promissory notes in the aggregate amount of \$100,000 for certain purposes hereinafter specified, and a public hearing having been held upon this application, and the Commission being of the opinion that the money to be procured from the notes

herein applied for is reasonably required for the purposes hereinafter specified, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED That San Jose Water Company be and hereby is authorized to issue promissory notes to the aggregate amount of \$100,000 upon the following conditions, and not otherwise, to-wit:

1. The notes herein authorized to be issued shall be at not less than par, issued for a term not in excess of three years, and at a rate of interest not in excess of 6% per annum.
2. The money derived from the notes herein authorized to be issued shall be used for the following purposes:
 - (a) To refund outstanding notes of applicant as follows:

Note dated March 21, 1912, payable one day after date to First National Bank of San Jose, face value	\$10,000
Note dated November 18, 1912, payable one day after date to First National Bank of San Jose, face value	10,000
Note dated March 3, 1913, payable one day after date to First National Bank of San Jose, face value	10,000
Note dated April 23, 1913, payable one day after date to First National Bank of San Jose, face value	10,000
Note dated May 23, 1913, payable one day after date to Ethel and A. Florence Clayton, face value	6,000
Total -	<u>\$46,000</u>

- (b) For additions to applicant's plant as follows:

Balance on account of main station,	\$10,750
" " " Buena Vista Station-----	3,750
" " " Well "X"-----	4,750
Tisdale Pump Station,-----	2,000
Market St. 10 & 12" Line-----	3,750
Air Compressor-----	<u>4,000</u>
Total -	\$29,000

(c) For the purchase from Pacific Gas and Electric Company of the property authorized to be transferred by this Commission's order in Application No. 558, the property being set forth in detail in the proposed contract of sale attached to the application in that proceeding and marked "Exhibit A," - - - \$25,000

Grand Total - \$100,000

3. San Jose Water Company shall keep separate, true and accurate accounts, showing the application in detail of the proceeds procured from the notes herein authorized to be issued, and on or before the 25th day of each month shall make verified reports to this Commission, stating the amount of notes issued during the preceding month, the amount of money derived therefrom and the application of such money, 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.
4. The authority herein granted to San Jose Water Company to issue notes shall apply to only notes issued on or before July 1, 1914.

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

Dated at San Francisco, California, this 6th day of June, 1913.

H. S. Cleveland
Sec. of Com.
Max Thelen
Edwin O. Edgerston
Commissioners.