

Decision No. 31165

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN JOSE WATER WORKS,
a corporation, for an order authorizing
it to issue and sell an additional
amount of its first mortgage bonds and
to confirm the lien of the bond inden-
ture on a portion of newly acquired
real property.

ORIGINAL

Application No. 22124

Leib & Leib and McCutchen, Olney, Mannon & Greene,
for applicant.

BY THE COMMISSION:

O P I N I O N

San Jose Water Works has applied to the Railroad Commission for an order authorizing it to execute a third supplemental indenture to its mortgage of chattels and trust indenture and to issue and sell \$93,000.00 of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, at not less than 103% of their face value plus accrued interest, for the purpose of paying indebtedness and of financing the cost of additions and betterments to its plants and properties.

The company is engaged in the business of supplying water to domestic, commercial and industrial consumers in and about San Jose, Los Gatos and Saratoga, Santa Clara County. Heretofore, pursuant to authority granted by the Commission, it executed its mortgage of chattels and trust indenture, dated as of December 1, 1936, and two indentures supplemental thereto, and issued and sold \$3,073,000. of first mortgage 3-3/4% bonds, Series A, due December 1, 1961 and callable on any interest payment date at the principal amount, plus accrued interest and a premium of 5% on or before December 1, 1940, of 4% after December 1, 1940 and on or before December 1, 1944, of 3% after

December 1, 1944 and on or before December 1, 1948, of 2% after December 1, 1948 and on or before December 1, 1952, of 1% after December 1, 1952 and on or before December 1, 1956. The bonds were sold for the purpose of paying outstanding bonds and preferred stock and of financing the cost of additions and betterments to the plants and properties. Of these bonds heretofore issued the company has redeemed, pursuant to the sinking fund provisions provided in respect to said bonds, \$24,000. face value, leaving \$3,049,000. principal amount now outstanding.

The company's assets and liabilities as of June 30, 1938 are reported in Exhibit D as follows:-

A S S E T S

Plant and property	\$5,917,280.53	
Reserve for renewals and replacements	<u>1,011,255.96</u>	\$4,096,024.57
Miscellaneous investments		240.00
Special cash deposits		2,849.25
Current assets:		
Cash	\$ 19,672.39	
Accounts receivable-Net	57,430.68	
Inventories	28,608.11	
Unbilled revenues	<u>24,261.45</u>	129,972.63
Unamortized debt discount and expense		208,162.51
Other deferred debits		267,866.67
Total assets		<u>\$5,515,115.63</u>

LIABILITIES

Capital stock-Common		\$2,002,175.00
Funded debt		3,049,000.00
Current liabilities:		
Notes payable-Bank of America	\$ 100,000.00	
Due affiliated companies	2,055.95	
Accounts payable	24,186.12	
Accrued liabilities	<u>71,030.43</u>	197,272.50
Consumers and other deposits refundable		38,876.83
Deferred credits		573.14
Contributions for extensions		38,578.75
Capital and paid in surplus		2,375.31
Earned surplus		<u>186,264.10</u>
Total liabilities		<u>\$5,515,115.63</u>

It appears from the application that in order to pay and provide in part the cost of additions and betterments to the water system, the company borrowed from Bank of America National Trust and Savings Association the sum of \$100,000. evidenced by short term 3% notes. In this connection the application shows that during the period from October 1, 1937 to June 30, 1938 the company expended for construction purposes the sum of \$90,057.97 and made retirements of \$8,775.69, leaving as net capital expenditures the sum of \$81,282.28 which have not yet been made the basis for the withdrawal of bonds. The application further shows the estimated net construction requirement for the last six months of 1938 at \$78,323.44.

The expenditures referred to in the preceding paragraph, both made and estimated, are shown in some detail in Exhibit A and B attached to the application.

In order to obtain funds to pay in part the bank indebtedness incurred for construction purposes and to finance permanently in part the construction expenditures, the company now asks for an order permitting it to issue and sell additional bonds of the face value of \$93,000. The bonds will be similar to those heretofore authorized and now outstanding. The company proposes to sell them at not less than 103% of face value plus accrued interest.

The Commission has considered the request of the company. From a review and analysis of the application, and of the financial and other statements attached thereto, and an examination of some of its records supporting such statements, it appears that the issue of the additional bonds at this time is reasonably required by the company. An order accordingly will be entered, although such an order should not be construed as approving all the items comprising the total expenditures.

In this proceeding the company has made the further request for permission to execute a third supplemental indenture, dated as of August 1, 1938, to Bank of America National Trust and Savings Association, trustee, for the purpose of confirming the lien of the original mortgage of chattels and trust indenture, and the first and second supplemental indentures, upon a piece of real property acquired since the dates of said indentures and not heretofore specifically subjected to their lien. A copy of the proposed instrument is attached to the application as Exhibit C. It appears to be in satisfactory form.

O R D E R

San Jose Water Works having applied to the Railroad Commission for permission to execute a third supplemental indenture and to issue and sell \$93,000. of bonds, and the Commission having considered the matter and being of the opinion that a public hearing on this application is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the bonds is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

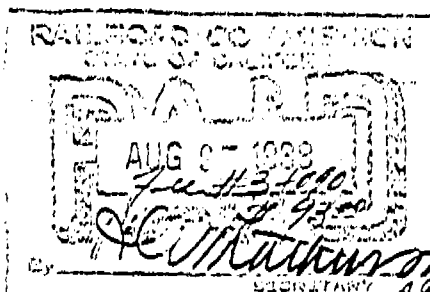
IT IS HEREBY ORDERED that San Jose Water Works be, and it hereby is, authorized to execute a third supplemental indenture in or substantially in the same form as that filed in this proceeding as Exhibit C, provided that the authority herein granted is for the purpose of this proceeding only and is given only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of such third supplemental indenture as to such other legal requirements to which it may be subject.

IT IS HEREBY FURTHER ORDERED that San Jose Water Works be, and it hereby is, authorized to issue and sell, on or before December 31, 1938, at not less than 103% of face value plus accrued interest, \$93,000. of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and to use the proceeds to pay in part the loans obtained from Bank of America, National Trust and Savings Association and to finance in part the cost of the additions and betterments to its plants and properties referred to in Exhibits A and B filed in this proceeding, provided:

1. That only such expenditures as are reasonably chargeable to fixed capital accounts as defined in the uniform system of accounts prescribed by the Railroad Commission may be financed with the proceeds from the sale of the bonds herein authorized; and
2. That applicant shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report as required by the Railroad Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Ninety-three (\$93.00) Dollars.

DATED at San Francisco, California, this 8th day of August, 1938.



[Handwritten signatures]

COMMISSIONERS