

Decision No. 32208

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 author-
izing it to issue and sell an addi-
tional amount of its first mortgage
bonds and to confirm the lien of the
bond indenture on a portion of newly
acquired real property.

ORIGINAL

Application No. 22998

BY THE COMMISSION:

O P I N I O N

San Jose Water Works, a corporation, asks permission to issue and sell, at 100 $\frac{1}{2}$ % of the principal amount thereof and accrued interest, \$210,000 face amount of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and to execute a fourth supplemental indenture by means of which it will transfer to the trustee in trust under its trust indenture, securing the payment of its bonds, title to two parcels of real property acquired by it since the execution of its third supplemental trust indenture.

A copy of the fourth supplemental indenture is filed in this proceeding as Exhibit C. It contains a description of the property to be conveyed to the trustee and appears to be in satisfactory form.

San Jose Water Works is engaged in the business of supplying water to domestic, commercial and industrial consumers in the City of San Jose, Town of Los Gatos, Village of Saratoga and adjacent territory in Santa Clara County. It has outstanding \$2,002,175 par value of common stock. Under the authority heretofore granted by the Commission it has issued \$3,166,000 of its first mortgage 3-3/4% bonds. Of these bonds, \$48,000 have been redeemed, leaving \$3,118,000 outstanding on August 31, 1939. The investment in applicant's fixed capital is reported at \$6,100,879.58 and its reserve for renewals and replacements at

\$1,084,692.39, leaving a net investment of \$5,016,187.19.

To carry forward its construction program, applicant has found it necessary to borrow from the Bank of America, National Trust and Savings Association, \$140,000, represented by a 3% note due December 27, 1939.

Applicant reports, in Exhibit A, that from March 1, 1939 to August 31, 1939 it has added to its properties additions, betterments and improvements costing \$154,513.38, and that property costing \$13,113.21 will be retired. The cost of the additions, betterments and improvements includes automobiles and trucks costing \$4,326.83, against which applicant under its trust indenture cannot issue any bonds. The undepreciated cost of the properties that will be retired is reported at \$5,416.25. Deducting from the \$154,513.38 the cost of the automobiles and trucks and the undepreciated cost of property that will be retired, leaves a balance of \$144,770.30 as representing property against which bonds may be certified.

In Exhibit B, applicant estimates that from September 1, 1939 to December 31, 1939 inclusive, it will have to expend for additions, betterments and improvements to its properties, \$173,925. Included in this sum is an estimate of \$100,000 representing the cost of a 42 inch main from applicant's Cambrian Reservoir to Hamilton Avenue. From the \$173,025 applicant deducts \$1,467.03 representing the undepreciated value of meters and services that will be retired, from September 1, 1939 to December 31, 1939, leaving the net new construction cost at \$172,457.97. The actual net construction expenditures reported in Exhibits A and B aggregates \$317,228.27. It is for the purpose of obtaining funds to pay part of such construction expenditures that applicant desires authority to issue the said \$210,000 of first mortgage

3-3/4% bonds, Series A, due December 1, 1961.

O R D E R

San Jose Water Works, having applied to the Commission for permission to issue \$210,000 principal amount of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and to execute a fourth supplemental indenture, the Commission having considered applicant's requests and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. San Jose Water Works may, after the effective date hereof and prior to December 31, 1939, execute a fourth supplemental indenture, in form substantially the same as Exhibit C, filed in this proceeding, provided that the authority herein granted to execute said fourth supplemental indenture 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 said supplemental indenture as to such other legal requirements to which it may be subject.

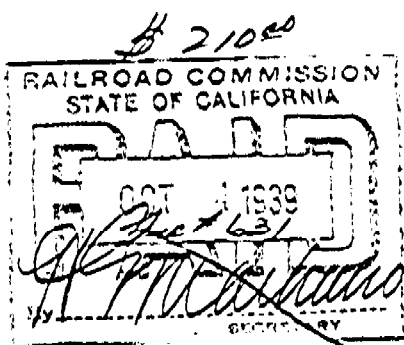
2. San Jose Water Works may, after the effective date hereof and prior to December 31, 1939, issue and sell, at not less than 100 $\frac{1}{2}$ % of the principal amount thereof and accrued interest, \$210,000 face amount of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and use the bond proceeds to finance in part its expenditures on

account of the acquisition and construction of the additions, betterments and improvements described in Exhibit A and in Exhibit B filed in this proceeding, provided that only such expenditures as are properly chargeable to fixed capital accounts under the system of accounts prescribed by the Railroad Commission may be financed through the use of said bond proceeds.

3. The authority herein granted will become effective when San Jose Water Works has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Hundred and Ten (\$210.00) Dollars.

4. San Jose Water Works shall keep such record of the issue, sale and delivery 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.

DATED at San Francisco, California, this 2nd day of October, 1939.



[Signature]
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Justus J. Gaumer
Commissioners.