

Decision No. 23501

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 indentures securing the first mortgage bonds on newly acquired real property.

ORIGINAL

Application No. 23501

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 issue and sell, at not less than face value plus accrued interest, \$292,000 of its first mortgage 5-3/4% bonds, Series A, due December 1, 1961, for the purpose of financing the cost of additions and betterments, and to execute a supplemental trust indenture.

In a balance sheet dated as of April 30, 1940, attached to the application, the company reports its investment in fixed capital at \$6,380,342.40 and its reserve for renewals and replacements at \$1,144,224.48, leaving a net investment of \$5,236,117.92. Its cash in bank and on hand, other current assets and prepaid items are reported at \$191,877.15 and its current and accrued liabilities, including consumers' and other refundable deposits, at \$245,727.66. The surplus of the company is stated on the balance sheet at \$239,354.38.

For the purpose of financing its properties, in part, the company, under the authority granted by the Commission, heretofore has issued and sold \$3,376,000 of first mortgage bonds, similar to those now proposed to be issued, of which \$3,328,000 of bonds now are out-

standing. In the application preceding the present one, No. 22998, filed on September 22, 1939, the company reported net expenditures prior to August 31, 1939, against which bonds could be certified, of \$144,770.30, and estimated net construction for the period from September 1, 1939, to December 31, 1939, of \$172,457.97. The order in that application, Decision No. 32408, dated October 3, 1939, authorized the company to issue \$210,000 of bonds to finance in part the expenditures made prior to August 31, 1939 and those estimated for the remaining four months of the year.

The company has advised the Commission that during the period from September 1, 1939 to December 31, 1939, its total construction expenditures, excluding automobiles and trucks, aggregated \$161,465.98 and its net retirements \$1,665.60, leaving a balance of \$159,800.38 representing net fixed capital installed during the four months. It has reported the sale of the \$210,000 of bonds, authorized by the former decision, for \$216,886.25 and the expenditure of all but \$6,933.73 of the proceeds to reimburse its treasury and to finance in part construction expenditures prior to January 1, 1940.

The company now reports the necessity for the issue of additional bonds. In exhibit A, attached to the present application it reports its net fixed capital installations, excluding automotive capital, at \$99,263.38 for the period from January 1, 1940 to April 30, 1940, and in Exhibit B, its schedule of proposed expenditures, net, at \$337,507.27, the two items aggregating \$436,770.65. An examination of the company's financial statements indicates that its expenditures during the first four months of 1940 were financed, primarily, with moneys represented by reserves, current and accrued liabilities and surplus, and it clearly appears that the company is in need of additional capital funds to reimburse its treasury and to carry forward its construction program.

For the purpose of confirming the lien of its original mortgage of chattels and trust indentures, dated as of December 1, 1936, and various indentures supplemental thereto subsequently executed, upon certain real property acquired since the dates of said indentures, the company now desires to execute a fifth supplemental indenture, dated as of June 1, 1940, specifically describing said real property and subjecting it to the lien of the mortgage of chattels and trust indenture securing the payment of its bonds.

A copy of the proposed fifth supplemental indenture is filed in this proceeding as Exhibit C. It appears to be in satisfactory form.

#### O R D E R

San Jose Water Works, having applied to the Commission for permission to issue \$292,000 principal amount of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and to execute a fifth 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, 1940, execute a fifth supplemental indenture, in form substantially the same as Exhibit C, filed in this proceeding, provided that the authority herein granted to execute said fifth supplemental indenture is for the purpose of this proceeding only,

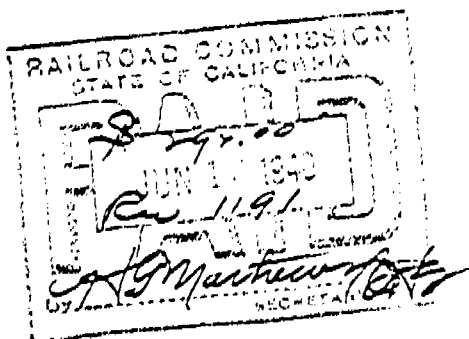
and is given only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said supplemental indenture as to such other legal requirements to which it may be subject.

2. San Jose Water Works may, after the effective date hereof and prior to December 31, 1940, issue and sell, at not less than 100% of the principal amount thereof and accrued interest, \$292,000 face amount of its first mortgage 3-3/4% bonds, Series A, due December 1, 1961, and use the bond proceeds to reimburse its treasury and 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 Ninety-two (\$292.00) 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 11<sup>th</sup> day of June, 1940.



*Ray L. Allen*  
*James P. ...*  
*Raymond ...*  
*Justice F. ...*

Commissioners