

ORIGINAL

Decision No. ~~39921~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 SAN JOSE WATER WORKS,) Application
 a corporation,) No. 28149
)
 for an order authorizing it to issue an)
 additional amount of its common stock.)
 -----)

McCatchen, Thomas, Matthew, Griffiths & Greene,
by Henry D. Costigan and Owen Jameson, for
applicant.

O P I N I O N

This is an application for an order of the Public Utilities Commission authorizing San Jose Water Works to issue and sell 30,000 shares (\$750,000 par value) of its common capital stock at a price hereafter to be fixed upon the filing of a supplemental application after receipt by applicant of bids pursuant to public invitation.

San Jose Water Works is a corporation engaged in the business of supplying water for domestic, commercial and industrial purposes in San Jose, Los Gatos, Saratoga and adjacent territory in Santa Clara County. It has an authorized capital stock of \$6,000,000, consisting of 240,000 shares of the par value of \$25 each, divided equally into preferred and common shares. It now has outstanding 30,000 shares of 4-3/4% cumulative preferred stock of the aggregate par value of \$750,000, and 80,087 shares of common stock of the aggregate par value of \$2,002,175. According to Exhibit "D", dividends have been paid

on the common stock during the last five years at the rate of 6% during 1942 and at 8% during each of the years 1943 to 1946, inclusive.

The company reports its assets and liabilities as of December 31, 1946, as follows:

Assets

Property, plant and equipment		\$8,247,638.04
Construction work in progress		115,188.86
Unexpended cash advanced by depositors for construction under extension agreements		80,900.00
Current assets -		
Cash on hand and in bank	\$230,542.06	
Accounts receivable	63,191.64	
Unbilled revenues	39,042.88	
Materials and supplies	<u>184,413.15</u>	517,189.73
Special cash deposits		25,000.00
Prepaid expenses		61,112.64
Miscellaneous deferred charges		<u>258.41</u>
Total assets		<u>\$9,047,287.68</u>

Liabilities

First mortgage bonds		\$3,474,000.00
Current liabilities -		
Accounts payable	\$127,880.89	
Accrued liabilities	276,831.07	
Accrued dividends	2,968.75	
Consumers' meter deposits	<u>3,403.43</u>	411,084.14
Consumers' extension deposits		340,413.02
Contributions for extensions		61,436.76
Reserve for depreciation		1,238,013.53
Unamortized premium on bonds		92,928.96
Preferred stock		750,000.00
Common stock		2,002,175.00
Capital surplus		131,993.96
Earned surplus		<u>545,242.31</u>
Total liabilities		<u>\$9,047,287.68</u>

The company estimates that during 1947 it will be obligated to refund \$245,000 of the extension deposits.

In asking permission to issue additional shares of stock the company reports the need for additional funds to

reimburse its treasury and to finance the cost of additions and betterments. Subject to receiving permission from the Commission, it intends to use the proceeds to be received from the sale of its stock, so far as they will be available, for the following purposes:

To pay necessary expenses in connection with the issue and sale of the stock, estimated at	\$ 20,000.00
To reimburse its treasury for moneys expended from income prior to January 1, 1947, for additions and betterments	525,000.00
To pay costs incurred after December 31, 1946 -	
(a) To complete construction work in progress (Exhibit "B")	110,673.26
(b) Estimated 1947 construction budget, net after retirements (Exhibits "C-1" and "C-2")	459,119.00

To the extent that 1947 construction expenditures are incurred prior to the realization of stock proceeds by the company, it will use stock proceeds to reimburse its treasury.

A review of the company's financial statements clearly indicates that prior to January 1, 1947, it invested in its properties, depreciation and other accruals and surplus earnings in excess of \$525,000 for which it has not been reimbursed through the issue of securities. The present record shows that it has need for the additional funds, after reimbursement of the treasury as proposed, to pay outstanding indebtedness, to improve its cash position, and to meet, in part, its estimated 1947 construction expenditures. The proposed capital expenditures are reported necessary to meet the increasing demands for service.

The company, as stated, will invite publicly, written sealed bids for the purchase of the 30,000 shares of stock. The

order herein, accordingly, while authorizing the issue of the stock, will not become effective until applicant has advised the Commission of the price at which it intends to sell its stock and the Commission, by supplemental order, has fixed the price at which the stock may be sold.

O R D E R

San Jose Water Works having applied to the Public Utilities Commission for permission to issue 30,000 shares of common stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. San Jose Water Works, after the effective date hereof and on or before August 31, 1947, may issue and sell not exceeding 30,000 shares (\$750,000 par value) of its common capital stock and use the proceeds for the following purposes:

To pay expenses incident to the issue of said stock, about	\$ 20,000.00
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To reimburse its treasury because of income expended for additions and betterments prior to December 31, 1946	525,000.00
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To pay in part the cost of additions and betterments installed after December 31, 1946, or to reimburse its treasury because of income expended for said purpose	Remainder of proceeds
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2. The authority herein granted will become effective when the Commission, by supplemental order, has fixed the price at which San Jose Water Works may sell said 30,000 shares of stock.

3. San Jose Water Works shall file with the Commission, reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. Within six (6) months after the issue and sale of said 30,000 shares of stock, San Jose Water Works shall file with the Commission a statement showing in detail the expenses incurred by it in connection with such issue and sale.

Dated at San Francisco, California, this 4th day of February, 1947.

Harold P. Huls
Justus F. Calmes
Frank H. Howell
A. F. D... ..

Commissioners