

Decision No. 42897

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
	:	
SAN JOSE WATER WORKS,)	
a corporation,	:	Application
)	No. 30317
for an order authorizing it to issue	:	
an additional amount of its bonds.)	
-----	:	

O P I N I O N

In this application, San Jose Water Works asks permission to issue and sell \$500,000 principal amount of its first mortgage 3% bonds, Series B due November 1, 1975, and use the proceeds to pay its expenses (estimated at \$6,500) incident to the issue and sale of the bonds, and reimburse its treasury.

San Jose Water Works, hereinafter sometimes referred to as Applicant, is engaged in the business of supplying water to domestic, commercial and industrial consumers in the City of San Jose, the Town of Los Gatos, the Village of Saratoga and adjacent territory in Santa Clara County, California. For 1948, Applicant reports operating revenues of \$1,485,244.14 and gross income, that is, the amount available for the payment of interest, other fixed charges, dividends and surplus, of \$497,655.43.

As of April 30, 1949, Applicant in Exhibit "C" on file in this application, reports its assets and liabilities as follows:

Assets

Plant, property and equipment		\$10,835,484.01
Special cash deposits--sinking fund		213.60
Current assets		592,923.28
Cash on hand and in banks	\$149,807.52	
Accounts receivable consumers--net of reserve	88,625.64	
Accounts receivable--miscellaneous	8,602.36	
Unbilled revenue	51,956.49	
Materials and supplies--net of reserve	<u>293,931.27</u>	
Prepaid expenses		49,965.77
Deferred charges		<u>12,016.89</u>
Total assets		<u>\$11,490,603.55</u>

Liabilities

Common stock		\$ 3,150,000.00
Preferred stock, 4-3/4% cumulative		750,000.00
First mortgage 3% bonds, Series B due November 1, 1975		3,902,000.00
Current liabilities		289,171.50
Accounts payable	\$ 78,914.57	
Interest-miscellaneous	1,783.97	
General taxes	9,090.56	
Federal income tax	173,059.57	
Miscellaneous	20,385.33	
Dividends accrued on preferred stock	<u>5,937.50</u>	
Consumers' meter deposits		3,865.72
Consumers' line extension deposits		502,394.79
Contributions for extensions		65,368.58
Reserve for depreciation		1,342,422.89
Unamortized bond premium, discount and expense		69,042.46
Surplus		1,416,337.61
Capital	131,993.96	
Paid in	548,407.32	
Earned	<u>735,936.33</u>	
Total liabilities		<u>\$11,490,603.55</u>

In Exhibit "A", Applicant shows that prior to April 30, 1949, it had expended for capital purposes \$571,970.35 which it did not obtain from the issue of stocks or bonds.

Exclusive of its Austrian Dam project and extensions which have been or will be constructed with funds advanced by consumers, Applicant estimates its 1949 construction expenditures

at \$1,027,450, segregated as follows:

Lands	\$	10,000
Structures		15,200
Wells		33,000
Reservoirs and tanks		58,800
Pumping equipment		69,600
Purification system		600
Transmission mains		67,000
Distribution mains		502,000
Services		128,500
Meters		86,500
Hydrants		28,750
General equipment		<u>27,500</u>
Total		<u>\$1,027,450</u>

To date Applicant reports that it has expended \$218,267 on its 1949 construction budget. Applicant estimates that during 1949 it will expend on its Austrian Dam project \$353,600, of which \$35,129 has been expended to date.

While Applicant asks permission to use the bond proceeds in the main to reimburse its treasury, an amount equal thereto will be used to finance in part Applicant's 1949 construction program.

Applicant has advised the Commission that Pacific Mutual Life Insurance Company has indicated its willingness to acquire, at 100.5% of the principal amount and accrued interest from May 1, 1949, said \$500,000 principal amount of first mortgage 3% bonds, Series B due November 1, 1975.

A review of the application and data filed in connection therewith indicates that Applicant is in need of additional funds from outside sources to improve its cash position and finance in part its 1949 construction expenditures.

O R D E R

San Jose Water Works having applied to the Public Utilities Commission for permission to issue and sell \$500,000 principal amount of bonds, and the Commission having considered its application and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required by San Jose Water Works for the purposes specified herein, that the expenditures herein authorized, other than those for accrued interest and expenses, 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, after the effective date hereof and on or before June 30, 1949, may issue and sell, at not less than 100.5% of their face value plus accrued interest, not exceeding \$500,000 principal amount of its first mortgage 3% bonds, Series B due November 1, 1975.

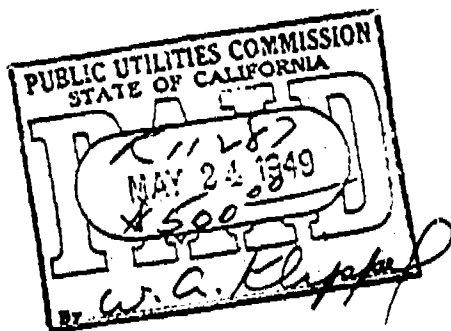
2. San Jose Water Works shall use the proceeds from the sale of said bonds, other than accrued interest, to pay its expenses incident to the issue and sale of said bonds, and reimburse its treasury in part because of moneys actually expended prior to April 30, 1949, from income or from other moneys in its treasury not secured by or obtained from the issue of stocks or bonds and expended for the acquisition of property or for the

construction, completion, extension or improvement of its facilities. The accrued interest may be used for general corporate purposes.

3. Within thirty (30) days after the issue and sale of the bonds herein authorized, San Jose Water Works shall file with the Commission a report showing the date such bonds were sold, the price at which they were sold, the name of the purchaser and the purposes for which the proceeds were used. It shall also file, as soon as available, a copy of the contract for the sale of the bonds and a statement showing in some detail the expenses incurred by it in connection with the issue and sale of the bonds and the account, or accounts, to which said expenses were charged.

4. 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 five hundred (\$500.00) dollars.

Dated at San Francisco, California, this 24th day of May, 1949.



R. Z. Johnson
Justin P. Casner
Robert J. Powell
Harriet A. Kilds
Marionette Potter
Commissioners