

ORIGINAL

Decision No. 44564

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. 31563

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 \$973,000 principal amount of its first mortgage 3% bonds, Series B, due November 1, 1975, and use the proceeds to pay its expenses (estimated at \$7,000) incident to the issue and sale of the bonds, to reimburse its treasury for moneys actually expended prior to May 31, 1950, in connection with the acquisition, construction, completion, extension or improvement of its facilities, and to finance in part the cost of completing its 1950 construction program.

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 the twelve months ended May 31, 1950, applicant reports its operating revenues at \$1,697,553.09 and its net income available for interest, other fixed charges, dividends and surplus, at \$561,034.16.

As of May 31, 1950, applicant reports its assets and liabilities as follows:

Assets

Property, plant and equipment	\$12,498,291.17	
Less: Reserve for depreciation	<u>1,380,024.65</u>	\$11,118,266.52
Special cash deposits		2,404.00
Current assets		802,491.19
Prepaid expenses		40,543.04
Deferred charges		<u>16,751.74</u>
Total assets		<u>\$11,980,456.49</u>

Liabilities

Common stock		\$ 3,269,225.00
Preferred stock-4-3/4% cumulative		1,588,850.00
First mortgage 3% bonds, Series B, due November 1, 1975		4,380,000.00
Current liabilities		525,731.60
Consumers' meter deposits		2,564.04
Consumers' line extension deposits		568,735.45
Contributions for extensions		65,368.58
Unamortized bond premium, discount and expense		61,700.86
Surplus		
Capital	\$ 131,993.96	
Paid in	564,721.64	
Earned	<u>821,565.36</u>	<u>1,518,280.96</u>
Total liabilities		<u>\$11,980,456.49</u>

In Exhibit A attached to the application, applicant shows that prior to May 31, 1950, it had expended for capital purposes \$673,021.37 which it did not obtain from the issue of stocks or bonds.

In Exhibit B applicant shows that \$979,332.93 will be required to complete the construction work which was in progress at May 31, 1950, and in Exhibit C applicant shows that an estimated \$370,137 will be required to complete that portion of the 1950 construction budget which had not been authorized May 31, 1950. Applicant also advises that it has estimated the amount of line extension deposits it will be required to refund during the period June 1 to

December 31, 1950, at \$100,000. The estimated 1950 expenditures to be made during the period June 1 to December 31, 1950, for the acquisition, construction or completion of facilities and for refund of line extension deposits total \$1,449,469.93.

Applicant states that it has not yet entered into any contract for the disposition of the bonds to which the application relates, but that it expects to enter into a contract for the private sale thereof at a price of not less than 102% of the principal amount thereof, namely \$992,460, and accrued interest from May 1, 1950.

A review of the application and the data filed in connection therewith indicates that applicant has need for additional funds from outside sources to improve its cash position and to finance in part its 1950 construction expenditures.

ORDER

San Jose Water Works having applied to the Commission for permission to issue and sell \$973,000 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 October 31, 1950, may issue and sell, at not less than 102% of their face value plus accrued interest, not exceeding \$973,000 principal amount of its first mortgage 3% bonds, Series B, due November 1, 1975.
2. San Jose Water Works shall apply 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, to reimburse its treasury, to finance in part estimated construction expenditures during 1950, and to refund consumers' advances for line extensions, as set forth in the application. 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 a copy of the contract for the sale of the bonds. It shall file monthly reports showing the purposes for which the proceeds were expended, until all of such proceeds have been accounted for, and, as soon as possible, a statement showing in some detail the expenses incurred by it in connection with the issue and sale of said 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 nine hundred seventy-three (\$973.00) dollars.

Dated at San Francisco, California, this 25th day
of July, 1950.

R. B. Anderson
Justin J. Gallivan
Walter A. Russell
Harold D. Hula
Russell H. Potter
Commissioners

