

**ORIGINAL**

Decision No. 45850

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. 32491
for an order authorizing it to issue	:	
an additional amount of its bonds.	)	
-----	:	

Q P I N I O N

San Jose Water Works has filed this application for authority to issue \$600,000 in principal amount of its First Mortgage 3½% Bonds, Series C, due May 1, 1976, and to sell said bonds at not less than their face value plus accrued interest.

Applicant proposes to use the proceeds from the sale of its bonds to repay bank loans obtained or to be obtained subsequent to April 30, 1951, and, to the extent not used for such repayment, to reimburse its treasury for moneys expended prior to April 30, 1951, from income, or from other moneys not secured by or obtained from the issue of securities, for the acquisition of property or for the construction, completion, extension or improvement of its facilities. In exhibits filed in this proceeding it shows, in some detail, its unfinanced expenditures, as of April 30, 1951, at \$795,839.87 and estimated amounts aggregating \$454,055.78 to complete construction work in progress.

In Exhibit C, applicant has filed a statement setting forth its assets and liabilities as of April 30, 1951. A summary of the same is as follows:

Assets

Fixed capital -		
Property, plant and equipment	\$14,544,844.84	
Less-reserve for depreciation	<u>1,427,684.08</u>	
Net fixed capital		\$13,117,160.76
Special cash deposits-sinking fund		2,544.80
Current assets -		
Cash	147,408.47	
Accounts receivable	197,225.33	
Material and supplies	463,332.72	
Prepaid expense	<u>53,148.18</u>	
Total current assets		861,114.70
Deferred charges		<u>53,253.47</u>
	Total	<u>\$14,034,073.73</u>

Liabilities

Funded debt		\$ 5,329,000.00
Current liabilities -		
Short-term bank loans	\$ 900,000.00	
Accounts payable	269,917.57	
Taxes	227,402.86	
Miscellaneous	<u>28,148.20</u>	
Total current liabilities		1,425,468.63
Line extension deposits		571,935.54
Contributions for extensions		115,675.01
Deferred credits		76,328.57
Preferred stock		1,474,550.00
Common stock		3,369,125.00
Surplus		<u>1,671,990.98</u>
	Total	<u>\$14,034,073.73</u>

Heretofore, applicant entered into a contract to issue and sell \$900,000 of bonds, similar to those now proposed to be issued, at their face value plus accrued interest. By Decision No. 45810, dated June 12, 1951, in Application No. 32427, it was authorized to sell such bonds for the purpose of paying the bank loans of \$900,000 which are referred to in the preceding balance sheet.

Applicant now reports that since April 30, 1951, it has obtained an additional bank loan of \$100,000 to assist it in meeting its current construction program, and that within the next few weeks it will be required to borrow additional sums, not exceeding \$500,000, for the same purpose. It proposes to liquidate these short-term borrowings with bond proceeds.

In submitting this matter to the Commission, applicant reports that it has not entered into any contract for the sale of the bonds, that it will not execute any underwriting agreement and that it expects to dispose of them at a private sale to a single investor for investment purposes, not for resale to the public.

It clearly appears that applicant will have need for additional funds from external sources to improve its cash position and to finance its construction program. At the conclusion of its present financing, its capital structure will consist of 51.17% bonds, 11.05% preferred stock and 37.78% equity capital.

An order granting applicant's request will be entered.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that the expenditures for such purposes, other than accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. San Jose Water Works, after the effective date hereof and on or before July 31, 1951, may issue and sell \$600,000 in principal amount of its First Mortgage  $3\frac{1}{2}\%$  Bonds, Series C, at not less than the principal amount plus accrued interest, and use the

proceeds, exclusive of accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

2. Within thirty (30) days after the sale of said bonds, San Jose Water Works shall file with the Commission a statement showing to whom said bonds were sold and the price at which sold.

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 six hundred (\$600.00) dollars.

Dated at San Francisco, California, this 26<sup>th</sup> day of June, 1951.

R. T. [Signature]  
Justin F. [Signature]  
Harold P. [Signature]  
[Signature]  
[Signature]  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
14785  
JUN 26 1951  
600.00  
By: [Signature]