

**ORIGINAL**

Decision No. 50186

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. 35509

for an order authorizing it to issue )  
an additional amount of its bonds. )  
: )  
: )  
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O P I N I O N

In this application San Jose Water Works seeks authorization to execute an indenture supplemental to its trust indenture of December 1, 1936, creating a new series of bonds to be known as First Mortgage 3.35% Bonds, Series D, and to issue and sell \$1,500,000 in principal amount of 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 defray the expenses of the issuance and sale of said bonds, to repay existing bank loans, and bank loans to be obtained prior to said sale, in a total principal amount not in excess of \$1,000,000, and to apply the proceeds to the extent not used for the payment of expenses or for the repayment of bank loans for the purpose of reimbursing its treasury for moneys expended prior to April 30, 1954, for the acquisition of property or for the construction, completion, addition or improvement of its facilities. In exhibits filed in this proceeding it shows, in some detail, unfinanced expenditures as of April 30, 1954, of \$1,694,043.90 and estimated expenditures, aggregating \$386,871.64, to complete construction work in progress.

In Exhibit C, applicant has filed a statement setting forth its assets and liabilities as of April 30, 1954. A summary of the

same is as follows:

Assets

Fixed capital -		
Property, plant and equipment	\$18,378,150	
Less-reserve for depreciation	<u>1,629,979</u>	
Net fixed capital		\$16,748,171
Special cash deposits-sinking fund		3,111
Current assets -		
Cash	116,508	
Accounts receivable	252,937	
Material and supplies	383,709	
Prepaid expense	<u>81,099</u>	
Total current assets		834,253
Deferred charges		<u>45,656</u>
	Total	<u>\$17,631,191</u>

Liabilities

Funded debt		\$ 6,757,000
Current liabilities -		
Short-term bank loans	\$ 800,000	
Accounts payable	139,331	
Taxes	241,215	
Miscellaneous	<u>31,109</u>	
Total current liabilities		1,211,655
Line extension deposits		658,598
Contributions for extensions		149,147
Deferred credits		53,416
Preferred stock		1,790,275
Common stock		4,763,250
Surplus		<u>2,247,850</u>
	Total	<u>\$17,631,191</u>

The bonds applicant now proposes to issue will be dated as of May 1, 1954, will bear interest at the rate of 3.35% per annum and will mature May 1, 1984. In making this request to sell said bonds applicant reports that it has not entered into any contract for their sale but that it expects to dispose of them at a private placement with two investors 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 enable it to proceed with its construction program. At the conclusion of its present financing, its capital structure will consist of 48.40% bonds, 10.50% preferred stock and 41.10% 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 is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by 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, on and after the effective date hereof and on or before December 31, 1954, may execute a Supplemental Mortgage of Chattels and Trust Indenture, in, or substantially in, the same form as that filed in this proceeding as Exhibit D, and may issue and sell \$1,500,000 in principal amount of its First Mortgage 3.35% Bonds, Series D, at not less than the principal amount and accrued interest.

2. San Jose Water Works shall use the proceeds from the sale of said bonds, exclusive of accrued interest, for the purposes set forth in this application. The accrued interest may be used for said purposes or for general corporate purposes.

3. San Jose Water Works shall file with the Commission, within 30 days after the issue of said bonds, two copies of the supplemental indenture herein authorized to be executed.

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

5. The authority herein granted will become effective when San Jose Water Works has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,250.00.

Dated at San Francisco, California, this 29<sup>th</sup> day of June, 1954.

John E. Wilson  
President

Justus J. Galloway  
Gene Roggins

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Commissioners

