

Decision No. 60934

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN JOSE WATER WORKS, a corporation,
for an order authorizing it to issue
an additional amount of its bonds

Application No. 42725

O P I N I O N

This is an application filed on October 4, 1960, for an order of the Commission authorizing San Jose Water Works, a corporation, (1) to execute and deliver a supplemental mortgage of chattels and trust indenture creating and defining the terms of a new series of bonds to be known as San Jose Water Works First Mortgage 5% Bonds, Series I, and (2) to issue and sell \$3,000,000 of said bonds by negotiated arrangements at not less than the principal amount plus accrued interest.

The new bonds will bear interest at the rate of 5% per annum, will mature November 1, 1990, and will be subject to redemption at the option of the company at a premium of 5% during the twelve months ending November 1, 1961, and thereafter at annually reducing premiums, provided that during the five-year period ending November 1, 1965, said bonds shall not be subject to redemption as part of any refunding from the proceeds of the issuance of any bonds, notes or other evidences of indebtedness having an effective net interest cost of less than 5%.

Applicant proposes to sell \$1,500,000 of the Series I bonds to Commonwealth of Pennsylvania School Employees' Retirement Fund, \$500,000 to Commonwealth of Pennsylvania State Employees' Retirement Fund, and \$1,000,000 to Occidental Life Insurance Company of California at their face value, plus accrued interest. It proposes to use the proceeds, exclusive of accrued interest, to defray expenses incident to the issue and sale of the bonds, to repay not to exceed \$1,000,000 of short-term bank loans incurred in defraying the cost of its current construction program, and to reimburse its treasury for moneys expended from income and other sources prior to August 31, 1960, for the acquisition of property or for the construction, completion, addition or improvement of its facilities. The company reports unfinanced capital expenditures of \$4,384,911 as of August 31, 1960.

A review of the financial statement filed in this proceeding as Exhibit C indicates that applicant's capital ratios as of the end of August, and as adjusted to give effect to the proposed financing, are as follows:

	<u>August 31, 1960</u>	<u>Pro Forma</u>
Bonds	51%	57%
Preferred stock	6	5
Common stock equity	<u>43</u>	<u>38</u>
Total	<u>100%</u>	<u>100%</u>

We have considered this application and based upon the information before us, we find and conclude (1) that applicant will have need for additional funds to meet its obligations and

to proceed with its construction activities; (2) that the proposed issue of bonds is for proper purposes; (3) that applicant will be required to pay a lower interest rate on the bonds it now proposes to issue than it would if the five-year redemption feature were to be deleted and that the ensuing lower financial requirements should inure to the benefit of the consumers; and (4) that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we will enter our order granting the application.

The authorization herein given is for the sale of bonds only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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, therefore,

IT IS HEREBY ORDERED as follows:

1. San Jose Water Works, a corporation, on or after the effective date hereof and on or before December 31, 1960, may execute and deliver a supplemental mortgage of chattels and trust indenture in, or substantially in, the form filed as Exhibit D

in this proceeding, and may issue and sell not to exceed \$3,000,000 in principal amount of its First Mortgage 5% Bonds, Series I, at not less than the principal amount thereof, plus accrued interest.

2. San Jose Water Works, a corporation, shall use the proceeds to be received from the issue and sale of said Series I bonds for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

3. San Jose Water Works, a corporation, 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.

4. This order shall become effective when San Jose Water Works, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,000.

Dated at San Francisco, California, this 25th day of October, 1960.

Frederick W. Page

President
Markus J. Poole

Commissioners

