

ORIGINAL

Decision No. 62710

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 preferred
stock

} Application No. 43787
} Filed September 27, 1961

O P I N I O N

This is an application for an order of the Commission authorizing San Jose Water Works, a corporation, applicant herein, to issue and sell 120,000 shares of its Cumulative Preferred Stock, Series F, of the par value of \$25 each, and of the aggregate par value of \$3,000,000.

The shares of preferred stock which applicant now proposes to issue will constitute a new series. They (1) will not be entitled to any conversion rights, (2) will be entitled to cumulative dividends at the rate of 5-1/4 per cent per annum of the par value of each of such shares, and (3) will be redeemable commencing November 1, 1961, at a maximum redemption price of \$26.3125 plus accrued and unpaid dividends, reduced annually to November 1, 1982, from and after which date the redemption price will be \$25 plus accrued and unpaid dividends.

Applicant reports that it has made tentative arrangements to sell the 120,000 shares of preferred stock at a price equal to the par value thereof, namely \$25 per share, to Connecticut Mutual Life Insurance Company, Occidental Life Insurance Company of California, New York Life Insurance Company, Monarch Life Insurance Company and Federal Mutual Life Insurance Company. The purpose of the proposed financing, after defraying the expenses of the issuance and sale of the preferred shares, is to provide applicant with funds to pay short-term bank loans and to reimburse its treasury for moneys expended for properties and facilities.

A review of the financial statement filed in this proceeding as Exhibit C shows that applicant has financed itself with bonds, notes, preferred stock, common stock and retained earnings. Its capital ratios as of June 30, 1961, and as adjusted to give effect to the \$1,500,000 bond issue authorized by Decision No. 62646, dated October 10, 1961, in Application No. 43757, and to the proposed \$3,000,000 par value preferred stock financing, are as follows:

	<u>June 30, 1961</u>	<u>Giving effect to additional \$1,500,000 Bonds</u>	<u>\$3,000,000 Preferred Stock</u>
Bonds	52%	57%	53%
Notes	7	2	0
Preferred stock	5	5	14
Common stock equity	<u>36</u>	<u>36</u>	<u>33</u>
Total	<u>100%</u>	<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 externally generated funds for the indicated purposes; (2) that the terms of the proposed stock issue are not adverse to the public interest; (3) that the proposed issue of shares of preferred stock is for proper purposes; (4) that the issue of additional preferred shares at this time is desirable; (5) that the money, property or labor to be procured or paid for by the issue of the shares of preferred stock herein authorized is reasonably required by applicant for the purposes specified herein; and (6) that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we will enter an order granting the application.

The authorization herein given is for the sale of shares of preferred stock 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,

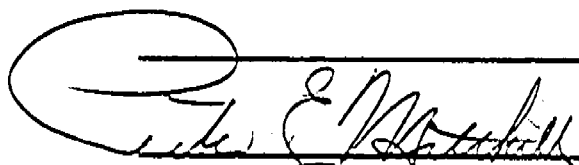

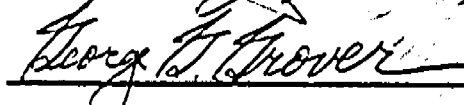

IT IS ORDERED that -

1. San Jose Water Works, a corporation, on and after the date hereof and on or before December 31, 1961, may issue and sell not to exceed 120,000 shares of its Cumulative Preferred Stock, Series F, at not less than the par value thereof, for the purposes set forth in this application.

2. 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.

3. This order shall become effective on the date hereof.

Dated at Los Angeles, California,
this 24th day of OCTOBER, 1961.

 President


 Commissioners

Commissioner Everett C. McKeago, being necessarily absent, did not participate in the disposition of this proceeding.