

ORIGINAL

Decision No. 63729

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. 44424  
Filed May 9, 1962

O P I N I O N

San Jose Water Works has filed this application for an order of the Commission authorizing it (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 4-3/4% Bonds, Series K, and (2) to issue and sell \$2,500,000 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 4-3/4% per annum, will be dated June 1, 1962, will mature June 1, 1992, and will be subject to redemption at the option of the company at a premium of 4-3/4% during the twelve months ending June 1, 1963, and thereafter at annual reducing premiums, provided that during the five-year period ending June 1, 1967, 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 4-3/4%.

Applicant intends to sell the \$2,500,000 of Series K bonds to Pacific Mutual Life Insurance Company, Los Angeles County Employees Retirement Association and Occidental Life Insurance Company of California at their face value, plus accrued interest. It proposes to use the proceeds, exclusive of accrued interest, to pay expenses incident to the issue and sale of the bonds, to repay short-term bank loans incurred, or to be incurred, in defraying the cost of its current construction program, and, if any proceeds remain, to reimburse its treasury for moneys expended from income and other sources prior to March 31, 1962, for the acquisition of property or for the construction, completion, addition or improvement of its facilities. The company reports it has \$2,000,000 of short-term notes outstanding and that it may find it necessary to increase its borrowings by \$500,000 prior to the sale of its bonds. In Exhibits A and B, it reports, as of March 31, 1962, capital expenditures of \$3,653,676 which had not been financed with security proceeds and estimated expenditures of \$3,268,571 to complete construction work in progress.

A review of the financial statements filed in this proceeding shows that as of March 31, 1962, applicant's current assets amounted to \$1,474,064 as compared with current liabilities of \$1,758,282; that since March 31

applicant has incurred short-term bank borrowings of \$2,000,000; that applicant's net investment in utility plant aggregated \$42,698,551 with mortgage bonds of \$17,312,000 outstanding; and that for the twelve months ended March 31 the net operating income was \$1,613,100 with interest charges of \$695,923. The company's capital ratios as of the end of March and as adjusted to give effect to the proposed financing are indicated in the following tabulation:

|                     | <u>March 31,<br/>1962</u> | <u>Pro<br/>Forma</u> |
|---------------------|---------------------------|----------------------|
| Bonds               | 53%                       | 57%                  |
| Preferred stock     | 14                        | 12                   |
| Common stock equity | <u>33</u>                 | <u>31</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 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 (3) 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, which 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 having determined 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, 1962, may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Fifteenth Supplemental Indenture) in, or substantially in, the form filed as Exhibit D in this proceeding, and may issue and sell not to exceed \$2,500,000 in principal amount of its First Mortgage 4-3/4% Bonds, Series K, 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 K 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 \$1,750.

Dated at San Francisco, California,  
this 28<sup>th</sup> day of MAY, 1962.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners

