

**ORIGINAL**

Decision No. 65505

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. 45426  
Filed May 13, 1963

O P I N I O N

San Jose Water Works has filed this application for authorization to execute a supplemental indenture and to issue and sell \$2,500,000 principal amount of bonds at a price equal to the principal amount, plus accrued interest, for the purpose of paying, in part, short-term bank loans.

The company had \$3,000,000 of short-term loans outstanding on February 28, 1963 and it reports it may find it necessary, prior to the sale of its bonds, to obtain additional bank loans up to \$600,000 to meet, temporarily, its expenditures for capital purposes. According to Exhibit B, the estimated amounts necessary to complete applicant's construction work in progress aggregated \$3,204,539 on February 28.

The proposed issue of bonds will constitute a new series to be designated as First Mortgage 4-5/8% Bonds, Series L. They will be dated as of June 1, 1963, will be due June 1, 1993, and will be subject to redemption at an

initial regular redemption premium of 4.625% during the twelve months ending June 1, 1964, and thereafter at annually reducing premiums, provided, however, that during the five-year period ending June 1, 1968, the bonds will not be subject to redemption as part of any refunding from the proceeds of the issuance of bonds, notes or other evidences of indebtedness having an effective net interest cost of less than 4-5/8%. Subject to receiving authorization from the Commission, the company proposes to sell its bonds to a group of institutional buyers.

Information before the Commission further shows that applicant is, and has been, faced with a substantial construction program; that it has borrowed money to meet its requirements temporarily; that its internally generated funds will not suffice to meet its capital requirements and to discharge its short-term debt; and that additional funds from external sources are required by applicant to enable it to liquidate short-term loans and to go forward with its construction activities.

Upon reviewing this application we are of the opinion, and so find, that the proposed issue is for proper purposes; that applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision; that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required 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. A public hearing is not necessary.

The authorization herein granted is for the issue of bonds only and is not to be construed as indicative of amounts to be included in a future proceeding for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. San Jose Water Works may execute a supplemental mortgage of chattels and trust indenture dated as of June 1, 1963, in the same form, or substantially the same form, as that filed in this proceeding as Exhibit D.

2. San Jose Water Works may issue and sell not to exceed \$2,500,000 of its First Mortgage 4-5/8% Bonds, Series L, on or before December 31, 1963, at not less than the principal amount plus accrued interest.

3. San Jose Water Works shall use the proceeds from the sale of its bonds, other than accrued interest, for the purposes of defraying the expenses of the issuance and sale of said bonds and of paying short-term bank loans. The accrued interest may be used for such purposes or for general corporate purposes.

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 shall become effective when San Jose Water Works has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,750.

Dated at San Francisco, California,  
this 4th day of JUNE, 1963.

[Signature] President  
[Signature] Acting President

Frederick B. Hallock

[Signature]

[Signature]  
Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

