

**ORIGINAL**

Decision No. 68243

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. 47085  
Filed November 2, 1964

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 \$2,000,000 principal amount of bonds at a price equal to the principal amount plus accrued interest.

The application shows that as of September 30, 1964, the company had no outstanding bank loans, but that it anticipates borrowing up to \$1,000,000 in order to finance its current construction program prior to selling said bonds, which amount will be evidenced by short-term promissory notes. Applicant's reported capital expenditures which had not been financed with permanent securities or advances and donations amounted to \$3,399,868 at September 30, 1964. In addition, the company reports that the estimated amounts necessary to complete its construction work in progress aggregated \$1,638,157 on September 30, 1964.

To the extent not used for defraying the expenses of the issuance and sale of said bonds aggregating \$2,000,000 in principal amount, and repaying short-term bank loans, applicant proposes to apply the bond proceeds toward reimbursing its

treasury for a portion of moneys actually expended from income or from other moneys in its treasury not secured by or obtained from the issue of securities and so expended for the acquisition of property or for the construction, completion, addition or improvement of its facilities.

The proposed issue of bonds will constitute a new series to be designated as First Mortgage 4.65% Bonds, Series M. They will be dated as of November 1, 1964, will be due November 1, 1994, and will be subject to redemption at an initial regular redemption premium of 4.65% during the twelve months ending November 1, 1965, and thereafter at annually reducing premiums, provided, however, that during the five-year period ending November 1, 1969, 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 4.65%. 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 its practice has been to borrow money to meet its requirements temporarily; that its internally generated funds will not suffice to meet its capital requirements and to discharge its anticipated short-term debt; and that additional funds from external sources are required by applicant to enable it to liquidate proposed short-term loans and to go forward with its construction activities.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for funds from external sources to meet its capital requirements; (3) applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision; (4) 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 (5) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. San Jose Water Works may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Seventeenth Supplemental Indenture) dated as of November 1, 1964, in the same form, or in 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 \$2,000,000 principal amount of its First Mortgage 4.65% Bonds, Series M, on or before March 31, 1965, 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 set forth in the application. 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-B, which order, insofar as applicable, is hereby made a part of this order.

5. This order 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 \$1,500.

Dated at San Francisco, California, this 24th day of November, 1964.

Fredrick B. Holbrook  
President

George E. Grover  
Commissioners

William Lee Beaman  
Commissioners

