

**ORIGINAL**Decision No. 69835

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of	)	
	)	
SAN JOSE WATER WORKS,	)	Application No. 47950
a corporation,	)	Filed October 5, 1965
	)	
for an order authorizing it to	)	
issue an additional amount of	)	
its bonds	)	

O P I N I O N

San Jose Water Works has filed this application requesting authorization to issue and sell \$1,500,000 principal amount of its First Mortgage Bonds and to execute a Supplemental Indenture.

Applicant is a California corporation engaged as a public utility in the business of supplying water to domestic, commercial and industrial consumers located in and about the City of San Jose, Santa Clara County. For the twelve months ended August 31, 1965, the company reports gross operating revenues of \$10,436,044, net income amounting to \$1,767,399, and a total of 126,147 customers at the end of said period.

The application shows that as of August 31, 1965, 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. According to the schedule set forth in Exhibit B, attached to the

application, the estimated amount necessary to complete the utility's construction work in progress was \$2,207,341 on August 31, 1965. Applicant asserts that unfinanced net capital expenditures aggregated \$3,403,780 on said date.

The proposed issue in the principal amount of \$1,500,000 will constitute a new series to be designated First Mortgage 4.85% Bonds, Series N. Said bonds will be dated November 1, 1965, will mature November 1, 1995, and will be redeemable at the company's option upon payment of an initial redemption price of 104.35%, plus accrued interest, if redeemed during the twelve months ending November 1, 1966, and thereafter at annually reducing premiums. However, redemption may not be made prior to November 1, 1973 through the use of funds borrowed at an effective net interest cost of less than 4.85%. The bonds will be secured by an existing Mortgage of Chattels and Trust Indenture as heretofore supplemented and as further supplemented by a proposed Eighteenth Supplemental Indenture.

Subject to receiving authorization from the Commission, applicant contemplates selling the bonds to two institutional investors at their principal amount, plus accrued interest. The gross proceeds from the sale, exclusive of accrued interest, will be applied toward (a) defraying the expenses of issuance and sale of said bonds, (b) repaying short-term bank loans and (c) reimbursing applicant's treasury.

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 for

the purposes set forth in the application; (3) the inclusion of a restricted redemption provision in the terms of the bonds will enable applicant to obtain funds at a lower annual cost than it otherwise could; (4) the execution of an Eighteenth Supplemental Indenture would not be adverse to the public interest; (5) 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 (6) 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 for the purpose of this proceeding only and 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 (Eighteenth Supplemental Indenture) 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 \$1,500,000 principal amount of its First Mortgage 4.85% Bonds, Series N, on or before December 31, 1965, at not less than their principal amount, plus accrued interest, for the purposes specified in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. 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.

4. 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 \$1,250.

Dated at San Francisco, California, this 26<sup>th</sup> day of OCTOBER, 1965.

Fredrick B. Holdcroft  
President

John L. ...

George B. ...

Augusta

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

