

Decision No. 71428

ORIGINAL

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. 48824
Filed September 27, 1966

O P I N I O N

San Jose Water Works has filed this application requesting authorization to issue and sell \$1,000,000 principal amount of its First Mortgage Bonds, and to execute a Supplemental Mortgage of Chattels and Trust 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 July 31, 1966, the company reports gross operating revenues of \$11,482,534 and net income amounting to \$1,582,108.

The application shows that as of July 31, 1966, the company had outstanding bank loans, in the amount of \$1,000,000. 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 \$1,406,890 on July 31, 1966. Applicant asserts that unfinanced net capital expenditures aggregated \$4,574,551 on said date.

The proposed issue in the principal amount of \$1,000,000 will constitute a new series to be designated First Mortgage 6-1/2% Bonds, Series O. Said bonds will be dated November 1, 1966, will mature November 1, 1996, and will be redeemable at the company's option upon payment of an initial redemption price of 106.5% plus accrued interest, if redeemed during the twelve months ending November 1, 1967, 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 6-1/2%. The bonds will be secured by an existing Mortgage of Chattels and Trust Indenture as heretofore supplemented and as further supplemented by a proposed Nineteenth Supplemental Indenture.

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 and (b) repaying short-term bank loans incurred for construction.

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) applicant will be required to pay interest at a lower effective rate than it would in the absence of the proposed restricted redemption provision; (4) the execution of a Nineteenth Supplemental Indenture will 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 granted 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 (Nineteenth 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 \$1,000,000 principal amount of its First Mortgage 6-1/2% Bonds, Series O, on or before December 31, 1966, 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 \$1,000.

Dated at San Francisco, California, this 18th day of OCTOBER, 1966.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

