

ORIGINAL

Decision No. 78358

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
	)	
SAN JOSE WATER WORKS, a corporation	)	Application No. 52407
	)	Filed January 19, 1971
for an order authorizing it to issue	)	and Amendment
an additional amount of its First	)	Filed February 5, 1971
Mortgage Bonds	)	

O P I N I O N

San Jose Water Works requests an order of the Commission authorizing it to issue and sell \$3,000,000 principal amount of its bonds, and to execute and deliver a supplemental indenture.

Applicant is a California corporation engaged in the business of supplying water to domestic, commercial and industrial consumers in portions of Santa Clara County. For the twelve months ended November 30, 1970, Exhibit C attached to the application shows operating revenues and net income of \$16,729,660 and \$2,155,728, respectively.

The company's reported net utility plant, after deducting depreciation and amortization reserves, amounted to \$71,488,775 at November 30, 1970. The utility's capital ratios as of such date, after giving effect to the proposed \$3,000,000 bond issue, as set forth in the application, are as follows:

First mortgage bonds	55.64%
Preferred stock	7.82
Common stock (including all surplus)	<u>36.54</u>
Total	<u>100.00%</u>

The application shows that on December 31, 1970, the company had outstanding \$1,300,000 short-term loans incurred for construction purposes, and that applicant's unfinanced capital expenditures totaled \$9,492,911 on November 30, 1970.

The proposed bond issue will be designated as First Mortgage 9-1/2% Bonds, Series R, and will be secured by an existing Mortgage of Chattels and Trust Indenture as heretofore supplemented and as further supplemented by a proposed Twenty-Second Supplemental Indenture. The bonds will be dated November 1, 1970, will mature November 1, 2000, and will be redeemable at the company's option at an initial redemption price of 109.5% plus accrued interest, and thereafter at annually reducing premiums. However, the bonds will be subject to a ten-year restricted redemption provision.

The company has tentative commitments to sell the new bonds at a price equal to 100% of their principal amount plus accrued interest to five institutional investors. The utility proposes to apply the gross proceeds (exclusive of accrued interest which will be applied to general corporate purposes) to defraying the expenses of the issuance and sale of said bonds, to repaying short-term loans for construction, and to reimbursing its treasury for capital expenditures. Applicant proposes to pay Dean Witter & Co. Incorporated a commission of not exceeding \$15,000 for services in negotiating the sale of the bonds.

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. Applicant would be required to pay interest at a lower rate than it would in the absence of the proposed restricted redemption provision.
4. The proposed interest rate is reasonable for a private placement in the light of market conditions prevailing at the time of negotiation.
5. The proposed Twenty-Second Supplemental Indenture would not be adverse to the public interest.
6. 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, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application, as amended, should be granted. A public hearing is not necessary. 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:

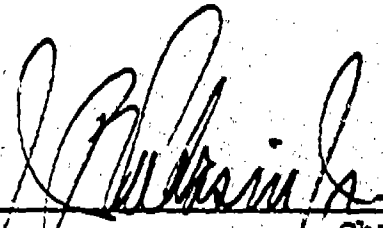
1. San Jose Water Works may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Twenty-Second Supplemental Indenture) in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D.

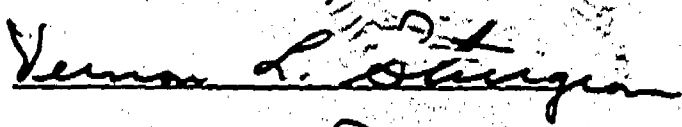
2. On or after the effective date hereof and on or before March 31, 1971, San Jose Water Works may issue and sell, at private sales, not exceeding \$3,000,000 aggregate principal amount of its First Mortgage 9-1/2% Bonds, Series R, at a price equal to the principal amount thereof and accrued interest to the date of issuance, and shall use the proceeds for the purposes set forth in the application.

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 \$4,000.

Dated at San Francisco, California, this 25<sup>th</sup> day of FEBRUARY, 1971.

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Commissioners

  
\_\_\_\_\_  
Commissioners

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

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

