

ORIGINAL

Decision No. 84969

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)
 100,000 shares of its Cumulative)
 Preferred Stock, Series H.)

Application No. 55923
 (Filed September 10, 1975)

O P I N I O N

San Jose Water Works seeks authority to issue and sell 100,000 shares of its \$25 par value Cumulative Preferred Stock, Series H.

The shares (1) would have a dividend rate of 10-1/2% per annum, (2) would be subject to restricted redemption prior to November 1, 1985, (3) would have no regular voting rights, and (4) would require a 3% sinking fund beginning November 1, 1977.

Applicant reports that it has a tentative commitment to sell said 100,000 shares of preferred stock at a price equal to their par value, namely \$25 per share, to Pacific Mutual Life Insurance Company. As compensation for negotiating the sale of stock, applicant intends to pay Dean Witter & Co. Incorporated a commission estimated not to exceed \$12,500. The gross proceeds to be derived from the sale of the stock would be used for defraying the expenses of the issuance and sale of the preferred shares, and for reimbursing applicant's treasury for moneys expended to refund a portion of its outstanding Series B bonds and for the acquisition of property or for the construction, completion, addition or improvement of its facilities.

The utility's capitalization ratios at June 30, 1975, and after giving effect to the refunding of its Series B bonds due November 1, 1975 and the issuance of its Series T bonds as authorized by Decision No. 84906, dated September 16, 1975, in Application No. 55874, and to the proposed issuance of 100,000 shares of Cumulative Preferred Stock, Series H, are as follows:

	<u>June 30, 1975</u>	<u>Pro forma</u>
First mortgage bonds	52.8%	50.4%
Preferred stock	6.4	9.8
Common stock equity	<u>40.8</u>	<u>39.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed redemption restriction is reasonable.
4. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purposes specified herein, which purposes 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 should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of value of the company's stock or properties nor 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:

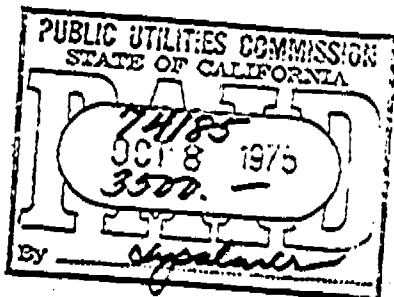
1. San Jose Water Works, on or after the effective date hereof and on or before June 30, 1976, may issue and sell not exceeding 100,000 shares of its \$25 par value Cumulative Preferred Stock, Series H, in accordance with the terms and conditions set forth in the application.


2. San Jose Water Works shall apply the proceeds from the sale of said stock to the purposes set forth in the application.

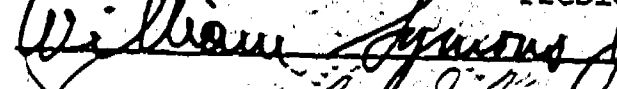
3. San Jose Water Works shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.


4. This order shall become effective when San Jose Water Works has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$3,500, or when it has filed with the Commission a certified copy of an amendment of its Restated Articles of Incorporation authorizing the nonvoting preferred stock, whichever occurs last.


Dated at San Francisco, California, this 7th day of October, 1975.





President






Commissioners