

ORIGINAL

Decision No. 87135

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN JOSE WATER WORKS,	)	
a corporation, to issue and sell	)	Application No. 57130
\$2,500,000 principal amount of its	)	(Filed March 7, 1977)
First Mortgage 8-1/2% Bonds, Series U,	)	and Amendment
and to execute and deliver a	)	(Filed March 21, 1977)
Supplemental Mortgage of Chattels	)	
and Trust Indenture.	)	

O P I N I O N

San Jose Water Works seeks authority to issue and sell \$2,500,000 aggregate principal amount of its First Mortgage 8-1/2% Bonds, Series U, and to execute and deliver a Twenty-Fifth Supplemental Indenture.

Applicant is a California corporation engaged in the retail water business in Santa Clara County. For the year 1976 its reported total operating revenues and net income amounted to \$25,644,750 and \$3,728,303, respectively.

The company has a tentative commitment from Bankers Life Company for the purchase of the bonds at 100% of their principal amount plus accrued interest. The net proceeds would be used to reimburse applicant's treasury for a portion of moneys actually expended for capital improvements. As compensation for negotiating the sale of the bonds, applicant proposes to pay Dean Witter & Co. Incorporated a commission estimated not to exceed \$12,500.

The proposed bonds would be secured by an existing Mortgage of Chattels and Trust Indenture as heretofore supplemented, amended and modified, and as to be further supplemented, amended and modified by a proposed Twenty-Fifth Supplemental Indenture. The bonds would be dated November 1, 1976, would mature November 1, 2001, and would be subject to a restricted redemption provision through 1987.

The utility's capitalization ratios at December 31, 1976, and after giving effect to the proposed bonds, are summarized from the application, as follows:

	<u>December 31, 1976</u>	<u>Pro Forma</u>
First mortgage bonds	47.32%	49.11%
Preferred stock	9.56	9.23
Common stock equity	<u>43.12</u>	<u>41.66</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed bonds would be for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Twenty-Fifth Supplemental Indenture would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the bonds herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. There is no known opposition and there is no reason to delay granting the relief requested.

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-Fifth Supplemental Indenture) in substantially the same form as Exhibit D-1 attached to the amendment to the application.

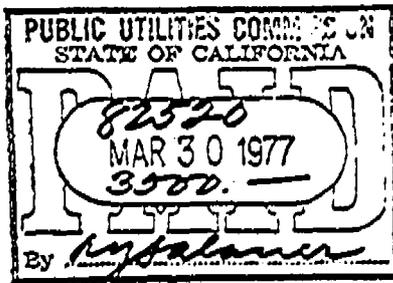
2. San Jose Water Works may issue and sell not exceeding \$2,500,000 aggregate principal amount of its First Mortgage 8-1/2% Bonds, Series U, at a price of not less than the principal amount thereof.

3. San Jose Water Works shall use the net proceeds from the issuance and sale of said bonds to reimburse its treasury for a portion of moneys actually expended for capital improvements.

4. San Jose Water Works shall file with the Commission the report required by General Order 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 \$3,500.

Dated at San Francisco, California, this 29th day of MARCH, 1977.



Robert B. [unclear]  
President  
William [unclear]  
[unclear]  
Leonard [unclear]  
Richard D. [unclear]  
Commissioners