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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN JOSE WATER COMPANY (U-168-W), a California corporation, for an order to issue and sell additional debt and equity securities not exceeding the aggregate amount of \$150,000,000 and other related requests

Application No. 10-07-022
(Filed July 23, 2010)

RESPONSE TO FURTHER INQUIRIES OF ASSIGNED ADMINISTRATIVE LAW JUDGE

1. In reference to Exhibits III-B and III-C:

- a. Should the \$7.5 million of Contributions and Advances that is included in the “Uses” section of the Sources and Uses Statement (as part of Construction) be in the “Sources” as well?

Response:

It is included in both of the exhibits.

- b. Is the Short-Term Debt of \$5.8 million in the “Uses”, being paid off, or is it a source of funds?

Response:

The assumption is it would be paid off.

- c. Please explain what “Increase (Decrease) in Cash Reserves” means?

Response:

This is the net change in cash each year from the statement of cash flows.

2. In reference to Exhibit I:

- a. I did not receive an Exhibit I – could you please provide a copy?

Response:

Exhibit I is attached.

- b. Would the 24-month short-term debt be more cost effective than 12-month?
 - i. Please provide company specific data, showing costs of 24-month versus 12-month for SJWC.

Response:

Below is a comparison between the one and two year line of credit terms for interest rate and fees:

	One Year Terms	Two Year Terms
Interest rate	LIBOR + 1.75%	LIBOR + 1.375%
Unused commitment fee	.375%	.25%
Annual standby LOC fee	1.75%	1.375%

- c. My Question 1.a. of Ruling:
 - i. SJWC states that the revolving line of credit would be used for short-term purposes.
 - ii. Please be more specific regarding what those purposes are.
 - 1. For example, would these funds be used for operating expenses, working cash, etc?

Response:

With the seasonality of our business, we receive more cash during the warmer, higher usage time of the year than the cooler, lower usage time. Some of our expenses are not seasonal such as interest on our long-term debt. The line of credit allows us to address the gaps in working cash throughout the year.

- 3. In regards to the securing of new debt with utility plant, does SJWC also mean that it will secure/guarantee any governmental or agency debt that it participates in?

Response:

It depends on the governmental or agency debt and whether security/pledge is required.

- 4. It looks like the last time SJWC was authorized to issue common stock was in D.93795 (1981 – San Jose Water Works).
 - a. Is this correct?

Response:

Yes.

- 5. SJWC uses the terms “debt” and “debentures”.
 - a. Are these meant to represent the same thing?

Response:

Yes.

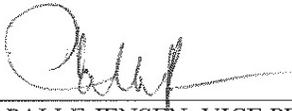
- 6. In a follow up email (dated October 29, 2010) regarding the response to your further inquiries San Jose Water Company Vice President of Regulatory Affairs Palle Jensen provided additional information that you requested be included in this response. This email stated:

“Since the CPUC is encouraging water utilities to seek more innovative financing such as Private Activity Bonds (PAB) and tax free financing, it is important that the short term facility is

longer than 12 months. The issuance cost for PAB and tax exempt financing, is very high and therefore we need to do fewer but larger issuances. Thus, it is crucial that we are allowed to accumulate debt over a longer period of time in the short term facility so we can issue larger size long-term debt and control the overall issuance cost.”

END OF RESPONSE

Respectfully submitted,

By 

PALLE JENSEN, VICE PRESIDENT

San Jose Water Company
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San Jose, CA 95110
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CERTIFICATE OF SERVICE

I, Palle Jensen, hereby certify that on this date I served by electronic mail and first-class, U.S.mail, the foregoing **RESPONSE TO FURTHER INQUIRIES OF ASSIGNED ADMINISTRATIVE LAW JUDGE** on the following person on the service list for A.10-07-022.

ALJ Seaneen Wilson
California Public Utilities Commission
Division Of Administrative Law Judges
Room 5022
505 Van Ness Avenue
San Francisco, Ca 94102-3214
smw@cpuc.ca.gov

Executed this 3rd day of November, 2010 in San Jose, California



PALLE JENSEN

**ATTACHMENT TO
RESPONSE TO FURTHER INQUIRIES OF
ASSIGNED ADMINISTRATIVE LAW JUDGE**

QUESTION 2 a.

SAN JOSE WATER COMPANY

(U-168-W)

STATEMENT OF INCOME
TWELVE MONTHS ENDED DECEMBER 31, 2009

Operating Revenue		\$199,861,531
Operating Expense:		
Operation	\$118,806,623	
Maintenance	\$12,532,480	
Taxes, Other Than Income Taxes	\$6,775,020	
Depreciation and Amortization	\$22,517,288	
Income Taxes	\$11,597,702	
		<u>\$172,229,113</u>
Total Operating Expense		
Operating Income		\$27,632,418
Other Income		\$2,957,713
Other Expenses:		
Interest on Long-Term Debt	(\$13,068,512)	
Other Interest	(\$122,560)	
Amortization of Debt Issuance Cost:	(\$183,706)	
Miscellaneous Deductions	(\$138,185)	
		<u>(\$13,512,963)</u>
Total Other Expenses		
Net Income		\$17,077,168
Prior Retained Earnings		\$158,995,283
Dividends Paid or Accrued on Common Stock		<u>\$7,600,000</u>
Retained Earnings - December 31, 2009		<u><u>\$168,472,451</u></u>

SAN JOSE WATER COMPANY

(U-168-W)

BALANCE SHEET
DECEMBER 31, 2009

Assets

Utility Plant:

Land	\$8,447,321	
Depreciable Plant & Equipment	\$852,422,885	
Construction Work in Progress	\$10,088,537	
Intangible Assets	\$1,040,137	
		<hr/>
Total Utility Plant		\$871,998,880
Accumulated Depreciation	\$284,240,184	
Accumulated Amortization	\$381,273	
		<hr/>
Total Reserves		\$284,621,457
Net Utility Plant		\$587,377,423

<i>Utility Plant Held for Future Use</i>	\$272,345
<i>Non-Utility Property</i>	\$236,285

Current Assets:

Cash & Equivalents	\$512,272	
Accounts Receivable - Net	\$10,870,973	
Accrued Utility Revenue	\$12,200,000	
Intercompany Notes	\$30,956,000	
Materials and Supplies - Average Cost	\$608,808	
Prepaid Expenses	\$1,522,254	
		<hr/>
Total Current Assets		\$56,670,307

Other Assets:

Cupertino Lease - Net	\$4,756,158	
Debt Issuance Costs	\$2,882,755	
Regulatory Assets	\$78,525,627	
Miscellaneous	\$576,101	
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Total Other Assets		\$86,740,641
		<hr/>
		\$731,297,001
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SAN JOSE WATER COMPANY
(U-168-W)
BALANCE SHEET
DECEMBER 31, 2009
(Unaudited)

Capitalization and Liabilities

Capitalization:

Common Stock - Par Value \$6.25 per share Authorized 3,000,000 Shares Outstanding 1 Share		6
Additional Paid-In Capital	\$30,147,785	
Other Comprehensive Income	\$0	
Retained Earnings	\$168,472,451	
		<hr/>
Common Shareholder's Equity		\$198,620,242
Long-Term Debt		<u>\$202,596,682</u>
Total Capitalization		\$401,216,924

Current Liabilities:

Note Payable	\$0	
Line of Credit	\$5,800,000	
Accrued Pump Taxes	\$1,827,722	
Purchased Water	\$2,629,839	
Purchased Power	\$485,866	
Accounts Payable	\$4,664,737	
Accrued Interest	\$4,744,467	
Accrued General Taxes	\$566,833	
Postretirement Benefits	\$542,773	
Income Taxes Payable	\$3,465,493	
Current Portion of Long Term Debt	\$86,917	
Other Current Liabilities	\$5,248,855	
		<hr/>
Total Current Liabilities		\$30,063,502

Deferred Income Taxes	\$69,787,134	
Unamortized Investment Tax Credit	\$1,614,600	
Postretirement Benefits	\$47,481,030	
Liability for Asset Retirement Obligation	\$1,044,401	
Reserve for Injuries & Damages	\$417,463	
Advances for Construction	\$68,647,657	
Contributions in Aid of Construction	\$106,372,097	
Deferred Revenue	\$1,178,729	
Other noncurrent liabilities	\$3,473,464	
		<hr/>
		<u>\$731,297,001</u>