

SJW CORP
Form 10-Q
October 31, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
Commission file number 1-8966
SJW Corp.
(Exact name of registrant as specified in its charter)

California 77-0066628
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

110 West Taylor Street, San Jose, CA 95110
(Address of principal executive offices) (Zip Code)
408-279-7800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 19, 2012, there were 18,653,633 shares of the registrant's Common Stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SJW Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
OPERATING REVENUE	\$82,374	73,914	\$199,098	176,617
OPERATING EXPENSE:				
Production Costs:				
Purchased water	22,768	19,182	54,128	39,279
Power	2,274	1,979	4,442	4,366
Groundwater extraction charges	8,672	7,824	17,057	17,632
Other production costs	2,914	3,030	8,511	8,442
Total production costs	36,628	32,015	84,138	69,719
Administrative and general	10,773	9,882	32,067	29,176
Maintenance	3,411	3,331	9,533	9,855
Property taxes and other non-income taxes	2,397	2,397	7,251	6,607
Depreciation and amortization	8,288	7,803	24,922	23,389
Total operating expense	61,497	55,428	157,911	138,746
OPERATING INCOME	20,877	18,486	41,187	37,871
OTHER (EXPENSE) INCOME:				
Interest on long-term debt	(4,683)	(4,684)	(14,022)	(13,175)
Mortgage and other interest expense	(380)	(436)	(1,166)	(1,358)
Gain on sale of real estate investment	910	—	910	—
Dividend income	61	59	182	179
Other, net	165	150	525	369
Income before income taxes	16,950	13,575	27,616	23,886
Provision for income taxes	6,866	5,360	11,222	9,610
NET INCOME	10,084	8,215	16,394	14,276
Other comprehensive income (loss), net	41	(227)	89	(210)
COMPREHENSIVE INCOME	\$10,125	7,988	\$16,483	14,066
EARNINGS PER SHARE				
Basic	\$0.54	0.44	0.88	0.77
Diluted	\$0.53	0.44	0.87	0.76
DIVIDENDS PER SHARE	\$0.18	0.17	0.53	0.52
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	18,647,537	18,586,887	18,628,680	18,578,146
Diluted	18,854,042	18,802,606	18,833,271	18,787,623

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (in thousands, except share and per share data)

	September 30, 2012	December 31, 2011
ASSETS		
Utility plant:		
Land	\$8,993	8,852
Depreciable plant and equipment	1,139,878	1,070,016
Construction in progress	27,013	18,527
Intangible assets	15,561	14,732
	1,191,445	1,112,127
Less accumulated depreciation and amortization	378,960	355,914
	812,485	756,213
Real estate investments	73,604	89,099
Less accumulated depreciation and amortization	8,697	10,557
	64,907	78,542
CURRENT ASSETS:		
Cash and cash equivalents	6,684	26,734
Accounts receivable:		
Customers, net of allowances for uncollectible accounts	17,573	12,541
Income tax	—	5,248
Other	982	746
Accrued unbilled utility revenue	24,418	15,318
Long-lived assets held-for-sale	7,768	—
Materials and supplies	1,028	991
Prepaid expenses	2,066	1,598
Other current asset	1,556	5,739
	62,075	68,915
OTHER ASSETS:		
Investment in California Water Service Group	7,182	7,032
Unamortized debt issuance, broker and reacquisition costs	5,015	4,865
Regulatory assets, net	119,248	119,248
Other	4,407	3,995
	135,852	135,140
	\$1,075,319	1,038,810

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (in thousands, except share and per share data)

	September 30, 2012	December 31, 2011
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Shareholders' equity:		
Common stock, \$0.521 par value; authorized 36,000,000 shares; issued and outstanding 18,653,088 shares on September 30, 2012 and 18,592,827 on December 31, 2011	\$9,715	9,684
Additional paid-in capital	25,708	24,552
Retained earnings	233,870	227,494
Accumulated other comprehensive income	2,362	2,274
Total shareholders' equity	271,655	264,004
Long-term debt, less current portion	335,779	343,848
	607,434	607,852
CURRENT LIABILITIES:		
Current portion of long-term debt	5,410	838
Accrued groundwater extraction charges and purchased water	10,063	5,789
Purchased power	647	423
Accounts payable	17,566	7,417
Accrued interest	5,534	5,376
Accrued property taxes and other non-income taxes	2,620	1,298
Accrued payroll	3,366	2,744
Income tax payable	810	—
Other current liabilities	4,894	4,403
	50,910	28,288
DEFERRED INCOME TAXES	141,795	133,541
UNAMORTIZED INVESTMENT TAX CREDITS	1,450	1,495
ADVANCES FOR CONSTRUCTION	67,026	67,333
CONTRIBUTIONS IN AID OF CONSTRUCTION	125,205	123,335
DEFERRED REVENUE	1,121	1,070
POSTRETIREMENT BENEFIT PLANS	72,708	68,855
OTHER NONCURRENT LIABILITIES	7,670	7,041
COMMITMENTS AND CONTINGENCIES	—	—
	\$1,075,319	1,038,810

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 (in thousands)

	Nine months ended September 30,	
	2012	2011
OPERATING ACTIVITIES:		
Net income	\$16,394	14,276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,035	24,521
Deferred income taxes	8,732	11,421
Share-based compensation	451	513
Gain on sale of real estate investment	(910)) —
Loss on sale of utility property	—	23
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(14,368)	) (12,756)
Accounts payable, purchased power and other current liabilities	1,032	28
Accrued groundwater extraction charges and purchased water	4,274	4,559
Tax receivable and accrued taxes	6,899	4,809
Accrued interest	158	196
Accrued payroll	622	650
Other current asset	4,183	—
Postretirement benefits	3,853	2,421
Other changes, net	13	(1,644)
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,368	49,017
INVESTING ACTIVITIES:		
Additions to utility plant:		
Company-funded	(67,731)	) (43,346)
Contributions in aid of construction	(4,211)	) (5,281)
Additions to real estate investments	(50)	) (165)
Payments for business/asset acquisition and water rights	(1,971)	) (2,065)
Cost to retire utility plant, net of salvage	(766)	) (1,702)
Proceeds from sale of real estate investment	5,517	—
Proceeds from sale of utility property	—	43
NET CASH USED IN INVESTING ACTIVITIES	(69,212)	) (52,516)
FINANCING ACTIVITIES:		
Borrowings from line of credit	—	17,600
Repayments of line of credit	—	(16,100)
Long-term borrowings	—	50,000
Repayments of long-term borrowings	(3,497)	) (925)
Debt issuance costs	(33)	) (87)
Dividends paid	(9,920)	) (9,616)
Exercise of stock options and similar instruments	731	547
Tax benefits realized from share options exercised	43	7
Receipts of advances and contributions in aid of construction	6,111	5,043
Refunds of advances for construction	(1,641)	) (1,631)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(8,206)) 44,838
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,050)) 41,339

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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	26,734	1,730
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$6,684	43,069
Cash paid (received) during the period for:		
Interest	\$15,757	14,812
Income taxes	(3,406	) (5,269)
Supplemental disclosure of non-cash activities:		
Increase in accrued payables for construction costs capitalized	9,815	1,518
Utility property installed by developers	214	—

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(in thousands, except share and per share data)

Note 1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the results for the interim periods.

The unaudited interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC"). The Notes to Consolidated Financial Statements in SJW Corp.'s 2011 Annual Report on Form 10-K should be read with the accompanying unaudited condensed consolidated financial statements.

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Due to the seasonal nature of the water business, the operating results for interim periods are not indicative of the operating results for a 12-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater, and lower in the winter months when cooler temperatures and increased rainfall curtail water usage and sales.

Basic earnings per share is calculated using income available to common shareholders, divided by the weighted average number of shares outstanding during the period. The two-class method in computing basic earnings per share is not used because the number of participating securities as defined in Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 260 - "Earning Per Share" is not significant. (The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security.) Diluted earnings per share is calculated using income available to common shareholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with stock options, deferred restricted common stock awards under SJW Corp.'s Long-Term Incentive Plan (as amended, the "Incentive Plan") and shares potentially issuable under the Employee Stock Purchase Plan ("ESPP"). For the three months ended September 30, 2012 and 2011, 36 and 815 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively. For the nine months ended September 30, 2012 and 2011, 1,702 and 3,125 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively.

Note 2. Equity Plans

SJW Corp. accounts for share-based compensation based on the grant date fair value of the awards issued to employees in accordance with FASB ASC Topic 718 - "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on the estimated fair value for all share-based payment awards.

The Incentive Plan allows SJW Corp. to provide employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the company or any parent or subsidiary the opportunity to acquire an equity interest in SJW Corp. The types of awards included in the Incentive Plan are restricted stock awards, restricted stock units, performance shares, or other share-based awards. As of September 30, 2012, the remaining shares available for issuance under the Incentive Plan were 1,185,373, and 344,196 shares are issuable upon the exercise of outstanding options, restricted stock units, and deferred restricted stock units under the Incentive Plan. In addition, shares are issued to employees under the ESPP. SJW Corp. also has a Dividend Reinvestment and Stock Purchase Plan ("DRSPP") which allows eligible participants to buy shares and reinvest cash dividends in SJW Corp. common stock.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SEPTEMBER 30, 2012

(in thousands, except share and per share data)

The compensation costs charged to income is recognized on a straight-line basis over the requisite service period. A summary of compensation costs charged to income, proceeds from the exercise of stock options and similar instruments, and the tax benefit realized from stock options and similar instruments exercised, that are recorded to additional paid-in capital and common stock, by award type, are presented below for the three and nine months ended September 30, 2012 and 2011.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Compensation costs charged to income:				
ESPP	\$55	47	\$104	92
Restricted stock and deferred restricted stock	113	138	347	421
Total compensation costs charged to income	\$168	185	\$451	513
Excess tax benefits realized from share options exercised and stock issuance:				
Stock options	\$—	—	\$8	—
Restricted stock and deferred restricted stock	—	—	35	7
Total excess tax benefits realized from share options exercised and stock issuance	\$—	—	\$43	7
Proceeds from the exercise of stock options and similar instruments:				
Stock options	\$—	—	\$75	—
DRSPP	16	14	68	22
ESPP	310	271	588	525
Total proceeds from the exercise of stock options and similar instruments	\$326	285	\$731	547

Stock Options

No options were granted during the three and nine months ended September 30, 2012 and 2011.

As of September 30, 2012, there were no unrecognized compensation costs related to stock options.

Restricted Stock and Deferred Restricted Stock

On January 3, 2012, restricted stock units covering an aggregate of 17,670 shares of common stock of SJW Corp. were granted to certain executives of SJW Corp. and its subsidiaries. The units vest in three equal successive installments upon completion of each year of service with no dividend equivalent rights. Share-based compensation expense based on a grant date fair value of \$21.92 per unit is being recognized over the service period beginning in 2012.

On January 24, 2012, 4,321 restricted stock units were granted to a key executive of SJW Corp. The units vest in three equal successive installments upon completion of each year of service with no dividend equivalent rights. Share-based compensation expense based on a grant date fair value of \$21.02 per unit is being recognized over the service period beginning in 2012.

On January 24, 2012, market performance-vesting restricted stock units granted to a key executive of SJW Corp. on January 27, 2009 covering 7,000 shares of common stock of SJW Corp. were canceled because the market performance objective was not attained. However, since the requisite service over the three-year service period of the award was rendered, even though the market condition was not achieved, compensation cost over the three-year requisite service period was not reversed.

On April 25, 2012, two non-employee board members retired from SJW Corp.'s Board of Directors and accordingly 9,832 shares of common stock of SJW Corp. were distributed upon their retirement. In addition, 2,199 shares of common stock of SJW Corp. were also distributed relating to dividend equivalent rights.

On May 25, 2012, a key executive of SJW Corp. retired from the Company and as a result, a total of 4,998 unvested restricted shares were forfeited. Compensation costs of \$12 previously recognized relating to these unvested shares was reversed during the second quarter of 2012.

As of September 30, 2012, the total unrecognized compensation costs related to restricted and deferred restricted stock plans amounted to \$735. This cost is expected to be recognized over a remaining weighted-average period of 1.64 years.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2012

(in thousands, except share and per share data)

Dividend Equivalent Rights

Under the Incentive Plan, certain holders of options, restricted stock, and deferred restricted stock awards may have the right to receive dividend equivalent rights (“DERs”) each time a dividend is paid on common stock after the grant date. Stock compensation on DERs is recognized as a liability and recorded against retained earnings on the date dividends are issued. For the three and nine months ended September 30, 2012, \$32 and \$98, respectively, related to DERs were recorded against retained earnings and were accrued as a liability. For the three and nine months ended September 30, 2011, \$32 and \$96, respectively, related to DERs were recorded against retained earnings and were accrued as a liability.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of SJW Corp.’s common stock at 85% of the fair value of shares on the purchase date. Under the ESPP, employees can designate up to a maximum of 10% of their base compensation for the purchase of shares of common stock, subject to certain restrictions. A total of 270,400 shares of common stock have been reserved for issuance under the ESPP.

After considering estimated employee terminations or withdrawals from the plan before the purchase date, SJW Corp.’s recorded expenses were \$17 and \$62 for the three and nine months ended September 30, 2012, respectively, and \$15 and \$55 for the three and nine months ended September 30, 2011, respectively, related to the ESPP.

The total unrecognized compensation costs related to the semi-annual offering period that ends January 31, 2013 for the ESPP is approximately \$35. This cost is expected to be recognized during the first quarter of 2013.

Dividend Reinvestment and Stock Purchase Plan

SJW Corp. adopted the DRSP effective April 19, 2011. The DRSP offers shareholders the ability to reinvest cash dividends in SJW Corp. common stock and also purchase additional shares of SJW Corp. common stock. A total of 3,000,000 shares of common stock have been reserved for issuance under the DRSP. For the three and nine months ended September 30, 2012, 636 and 2,834 shares, respectively, have been issued under the DRSP. For the three and nine months ended September 30, 2011, 613 and 962 shares, respectively, have been issued under the DRSP.

Note 3. Real Estate Investments

The major components of real estate investments as of September 30, 2012 and December 31, 2011 are as follows:

	September 30, 2012	December 31, 2011
Land	\$18,892	21,312
Buildings and improvements	54,383	67,487
Intangibles	329	300
Subtotal	73,604	89,099
Less: accumulated depreciation and amortization	8,697	10,557
Total	\$64,907	78,542

Depreciation and amortization is computed using the straight-line method over the estimated service life of the respective assets, ranging from 5 to 39 years.

On August 8, 2012, SJW Land Company sold its warehouse building located in Orlando, Florida for \$5,821. The Company recognized a pre-tax gain on the sale of real estate investment of \$910, after selling expenses of \$304. During the third quarter of 2012, management decided to sell its warehouse building located in Windsor, Connecticut. As a result, the Company reclassified the Connecticut warehouse building from held-and-used to held-for-sale at September 30, 2012. The Company determined that reclassifying the Connecticut property as held-for-sale represents a change in circumstances in the intended use of such facility and reviewed the asset for impairment. The Company performed a recoverability test of estimated sale proceeds less cost to sell from the property in accordance with FASB

ASC Topic 360 - "Property, Plant and Equipment." The Company has multiple offers for the property supporting the carrying value as of September 30, 2012. These offers represent a strong, observable market indicator of fair value defined in FASB ASC Topic 820 - "Fair Value Measurements and Disclosures." As a result, the Company determined that the carrying value was recoverable and no impairment exists.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2012

(in thousands, except share and per share data)

The Connecticut warehouse building is included in the Company's "Real Estate Services" reportable segment as disclosed in Note 5. Depreciation expense on the building was \$56 and \$167 for the three-and nine-month periods ended September 30, 2012 and 2011, respectively. The following represents the major components of the Connecticut warehouse building recorded in long-lived assets held-for-sale on the Company's condensed consolidated balance sheets as of September 30, 2012:

	September 30, 2012
Land	\$1,200
Buildings and improvements	8,684
Subtotal	9,884
Less: accumulated depreciation and amortization	2,116
Total	\$7,768

Note 4. Defined Benefit Plan

San Jose Water Company sponsors a noncontributory defined benefit pension plan for its eligible union and nonunion employees. Employees hired before March 31, 2008 are entitled to receive retirement benefits using a formula based on the employee's three highest years of compensation (whether or not consecutive). For employees hired on or after March 31, 2008, benefits are determined using a cash balance formula based upon compensation credits and interest credits for each employee. The components of net periodic benefit costs for San Jose Water Company's pension plan, its Executive Supplemental Retirement Plan and other postretirement benefit plan for the three and nine months ended September 30, 2012 and 2011 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Service cost	\$1,157	947	\$3,470	2,842
Interest cost	1,450	1,445	4,351	4,335
Other cost	1,166	738	3,498	2,210
Expected return on assets	(1,148	) (1,105	) (3,445	) (3,313
	\$2,625	2,025	\$7,874	6,074

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2012

(in thousands, except share and per share data)

The following tables summarize the fair values of plan assets by major categories as of September 30, 2012 and December 31, 2011:

		Fair Value Measurements at September 30, 2012			
		Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category	Benchmark				
Cash and cash equivalents		\$1,724	\$1,724	\$—	\$—
Actively Managed (a):					
U.S. Small Cap Equity	Russell 2000	7,145	7,145	—	—
U.S. Large Cap Equity	Russell 1000 Growth	4,547	4,547	—	—
Emerging Market Equity	MSCI Emerging Markets Net	4,505	4,505	—	—
U.S. Small Mid Cap Equity	Russell 2500	2,034	2,034	—	—
Non-U.S. Large Cap Equity	MSCI EAFE Net	5,339	5,339	—	—
Passive Index Fund ETFs					
(b):					
U.S. Large Cap Equity	S&P 500/Russell 1000 Growth	6,524	6,524	—	—
U.S. Small Mid Cap Equity	Russell 2500	716	716	—	—
U.S. Small Cap Equity	Russell 2000	143	143	—	—
U.S. Mid Cap Equity	Russell Mid Cap	70	70	—	—
Non-U.S. Large Cap Equity	MSCI EAFE Net	5,587	5,587	—	—
REIT	Nareit - Equity REITS	3,378	—	3,378	—
Fixed Income (c)	(c)	30,919	—	30,919	—
Total		\$72,631	\$38,334	\$34,297	\$—

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

(a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.

(b) Open-ended fund of securities with the goal to track the stated benchmark performance.

Actively managed portfolio of fixed income securities with the goal to exceed the Barclays Capital Aggregate

(c) Bond, Barclays Capital 1-3 Year Government/Credit, Citigroup World Government Bond Index, and Merrill Lynch High Yield Master II performance.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2012

(in thousands, except share and per share data)

Fair Value Measurements at December 31, 2011

Asset Category	Benchmark	Total	Quoted	Significant	Significant
			Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents		\$4,301	\$4,301	\$—	\$—
Actively Managed (a):					
U.S. Small Cap Equity	Russell 2000	6,303	6,303	—	—
U.S. Large Cap Equity	Russell 1000 Growth	3,716	3,716	—	—
Emerging Market Equity	MSCI Emerging Markets Net	3,547	3,547	—	—
U.S. Small Mid Cap Equity	Russell 2500	1,814	1,814	—	—
Non-U.S. Large Cap Equity	MSCI EAFE Net	4,271	4,271	—	—
Passive Index Fund ETFs					
(b):					
U.S. Large Cap Equity	S&P 500/Russell 1000 Growth	5,525	5,525	—	—
U.S. Small Mid Cap Equity	Russell 2500	617	617	—	—
U.S. Small Cap Equity	Russell 2000	143	143	—	—
U.S. Mid Cap Equity	Russell Mid Cap	69	69	—	—
Non-U.S. Large Cap Equity	MSCI EAFE Net	4,356	4,356	—	—
REIT	Nareit - Equity REITS	3,213	—	3,213	—
Fixed Income (c)	(c)	27,209	—	27,209	—
Total		\$65,084	\$34,662	\$30,422	\$—

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

(a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.

(b) Open-ended fund of securities with the goal to track the stated benchmark performance.

Actively managed portfolio of fixed income securities with the goal to exceed the Barclays Capital Aggregate

(c) Bond, Barclays Capital 1-3 Year Government/Credit, Citigroup World Government Bond Index, and Merrill Lynch High Yield Master II performance.

In 2012, San Jose Water Company expects to make required and discretionary cash contributions of up to \$10,500 to the pension plans and other postretirement benefit plan. For the three and nine months ended September 30, 2012, \$1,344 and \$3,738, respectively, has been contributed to the pension plans and other postretirement benefit plan.

Note 5. Segment and Nonregulated Business Reporting

SJW Corp. is a holding company with four subsidiaries: (i) San Jose Water Company, a water utility operation with both regulated and nonregulated businesses, (ii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., operate commercial building rentals, (iii) SJW TX, Inc. which is doing business as

Canyon Lake Water Service Company, a regulated water utility located in Canyon Lake, Texas, and its consolidated nonregulated variable interest entity, Acequia Water Supply Corporation, and (iv) Texas Water Alliance Limited, a nonregulated water utility operation which is undertaking activities that are necessary to develop a water supply project in Texas. In accordance with FASB ASC Topic 280 – “Segment Reporting,” SJW Corp. has determined that it has two reportable business segments. The first segment is that of providing water utility and utility-related services to its customers through SJW Corp.’s subsidiaries, San Jose Water Company, Canyon Lake Water Service Company, and Texas Water Alliance Limited, together referred to as “Water Utility Services.” The second segment is property management and investment activity conducted by SJW Land Company, referred to as “Real Estate Services.” SJW Corp.’s reportable segments have been determined based on information used by the chief operating decision maker. SJW Corp.’s chief operating decision maker is its President and Chief Executive Officer (“CEO”). The CEO reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income and total assets, by subsidiaries.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SEPTEMBER 30, 2012

(in thousands, except share and per share data)

The tables below set forth information relating to SJW Corp.'s reportable segments and distribution of regulated and nonregulated business activities within the reportable segments. Certain allocated assets, revenue and expenses have been included in the reportable segment amounts. Other business activity of SJW Corp. not included in the reportable segments is included in the "All Other" category.

For Three Months Ended September 30, 2012

	Water Utility Services		Real Estate Services	All Other*	SJW Corp.		Total
	Regulated	Non regulated	Non regulated	Non regulated	Regulated	Non regulated	
Operating revenue	\$79,333	1,855	1,186	—	79,333	3,041	82,374
Operating expense	59,239	1,233	805	220	59,239	2,258	61,497
Operating income (loss)	20,094	622	381	(220)	20,094	783	20,877
Net income (loss)	9,632	326	492	(366)	9,632		