SJW CORP
Form 10-Q
May 08, 2006

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 March 31, 2006

Commission file number 1-8966

SJW Corp.

(Exact name of registrant as specified in its charter)

California	77-0066628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
374 West Santa Clara Street, San Jose, CA	95113
(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 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 X No

Indicate by check mark whether the registrant is a large accelerated filer an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large filer" in Rule 12b-2 of the Exchange Act. (check one)
Large accelerated filer Accelerated filer X Non-accelerated filer

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Common shares outstanding as of the date of April 30, 2006 are 18,271,432.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SJW CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	THREE MO MAR
	2006
OPERATING REVENUE	$ 33,741
OPERATING EXPENSE:	
Operation:	
Purchased water	6,654
Power	559
Pump taxes	2,136
Administrative and general	5,091
Other	3,661
Maintenance	2,305
Property taxes and other nonincome taxes	1,470
Depreciation and amortization	5,190
Income taxes	1,894
Total operating expense	28,960
OPERATING INCOME	4,781
Interest on senior notes	(2,351)
Mortgage and other interest expense	(229)
Dividends	316
Sale of nonutility property, net of taxes of $1,056	1,535
Other, net	151
NET INCOME	4,203
Other comprehensive income (loss):	
Unrealized income (loss) on investment	7,502
Less: income taxes related to other comprehensive income (loss)	3,076
Other comprehensive income (loss) net:	4,426
COMPREHENSIVE INCOME (LOSS)	$ 8,629
EARNINGS PER SHARE	
Basic	$ 0.23
Diluted	$ 0.23
COMPREHENSIVE INCOME (LOSS) PER SHARE	
Basic	$ 0.47
Diluted	$ 0.47
DIVIDENDS PER SHARE	$ 0.14
WEIGHTED AVERAGE SHARES OUTSTANDING	

Basic	18,271,270
Diluted	18,530,097

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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SJW CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

	MARCH 31 2006
ASSETS	
UTILITY PLANT:	
Land	$ 4,412
Depreciable plant and equipment	657,053
Construction in progress	6,766
Intangible assets	7,840
Total utility plant	676,071
Less accumulated depreciation and amortization	213,319
Net utility plant	462,752
NONUTILITY PROPERTY	35,439
Less accumulated depreciation and amortization	3,533
Net nonutility property	31,906
CURRENT ASSETS:	
Cash and equivalents	9,817
Accounts receivable:	
Customers, net of allowances for uncollectible accounts	8,011
Other	1,346
Unbilled utility revenue	7,437
Long-term assets held-for-sale	2,738
Materials and supplies	634
Prepaid expenses	1,653
Total current assets	31,636
OTHER ASSETS:	
Investment in California Water Service Group	49,553
Unamortized debt issuance and reacquisition costs	3,089
Regulatory assets	13,119
Intangible pension asset	3,953
Other	3,737
Total other assets	73,451
	$599,745

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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SJW CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

	March 31 2006
CAPITALIZATION AND LIABILITIES	
CAPITALIZATION:	
Common stock	$ 9,516
Additional paid-in capital	15,736
Retained earnings	162,210
Accumulated other comprehensive income	14,862
Total shareholders' equity	202,324
Long-term debt, less current portion	145,163
Total capitalization	347,487
CURRENT LIABILITIES:	
Current portion of long-term debt	378
Accrued pump taxes and purchased water	2,936
Purchased power	611
Accounts payable	4,595
Accrued interest	2,215
Accrued taxes	4,527
Accrued payroll	1,454
Work order deposit	494
Other current liabilities	3,099
Total current liabilities	20,309
DEFERRED INCOME TAXES	56,061
UNAMORTIZED INVESTMENT TAX CREDITS	1,840
ADVANCES FOR CONSTRUCTION	70,915
CONTRIBUTIONS IN AID OF CONSTRUCTION	84,920
DEFERRED REVENUE	1,262
POSTRETIREMENT BENEFIT PLANS	14,175
OTHER NONCURRENT LIABILITIES	2,776
	$599,745

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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SJW CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

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OPERATING ACTIVITIES:	
Net income	$4,20
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	5,19
Deferred income taxes	2,81
Stock-based compensation	35
Gain on sale of nonutility property, net of taxes	(1,53
Changes in operating assets and liabilities:	
Accounts receivable and unbilled utility revenue	3,05
Deferred revenue	(1
Prepaid expenses and materials and supplies	
Accounts payable, purchased power and other current liabilities	(1,07
Accrued pump taxes and purchased water	(1,04
Accrued taxes	2,83
Accrued interest	(1,40
Accrued payroll	(7
Work order deposits	
Other noncurrent assets and noncurrent liabilities	(2,12
Other changes, net	25
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,45
INVESTING ACTIVITIES:	
Additions to utility plant	(13,01
Additions to nonutility property	(1
Cost to retire utility plant, net of salvage	(32
Proceeds from the sale of nonutility property	2,73
NET CASH USED IN INVESTING ACTIVITIES	(10,61
FINANCING ACTIVITIES:	
Repayments of long-term borrowings	(7
Dividends paid	(2,58
Exercise of stock options	1
Receipts of advances and contributions in aid of construction	2,54
Refunds of advances for construction	(32
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(42
NET CHANGE IN CASH AND EQUIVALENTS	41
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	9,39
CASH AND EQUIVALENTS, END OF PERIOD	$9,81
Cash paid during the period for:	
Interest	$4,03
Income taxes	

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. General

In the opinion of SJW Corp., the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results for the interim periods.

The Notes to Consolidated Financial Statements in SJW Corp.'s 2005 Annual Report on Form 10-K for the year ended December 31, 2005, should be read with the accompanying condensed consolidated financial statements.

Water sales are seasonal in nature. The demand for water, especially by residential customers, is generally influenced by weather conditions. The timing of precipitation and climactic conditions can cause seasonal water consumption by residential 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 twelve-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater and lower in the winter when cooler temperatures and increased rainfall curtail water usage and sales.

Basic earnings per share and basic comprehensive income per share are calculated using income available to common shareholders and comprehensive income, respectively, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share and dilutive comprehensive income per share are calculated using income available to common shareholders and comprehensive income divided by the weighted average number of common shares including both shares outstanding and shares potentially issuable in connection with stock options, restricted stock awards and deferred restricted common stock awards granted under SJW Corp.'s Long-Term Incentive Plan (the Incentive Plan) and awards granted under the Employee Stock Purchase Plan.

For the three months ended March 31, 2006 and 2005, the basic weighted average number of common shares was 18,271,270 and 18,271,026, respectively. For the three months ended March 31, 2006 and 2005, the diluted weighted average number of common shares outstanding was 18,530,097 and 18,441,938, respectively. For the three months ended March 31, 2006, 28,164 option share equivalents were excluded from the dilutive calculation because they were anti-dilutive.

On January 31, 2006, the Board of Directors of SJW Corp. approved a two-for-one stock split of common stock. The two-for-one stock split was effective on March 2, 2006. Basic and diluted earnings and comprehensive income per share in the current and prior periods reflect the impact of the stock split.

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NOTE 2. Long-Term Incentive Plan

Common Shares

On April 29, 2003, SJW Corp.'s shareholders approved an amendment to its Long-Term Incentive Plan (Incentive Plan), which was originally adopted on April 18, 2002. Under the Incentive Plan, 1,800,000 common shares have been reserved for issuance. The amendment to the Incentive Plan includes terms allowing non-employee directors to receive awards, authorizing the plan administrator to grant stock appreciation rights, and listing the performance criteria for performance shares. The amended Incentive Plan allows SJW Corp. to provide key employees, including officers, and non-employee directors, the opportunity to acquire an equity interest in SJW Corp. A participant in the Incentive Plan generally may not receive awards under the Incentive Plan covering an aggregate of more than 600,000 common shares in any calendar year. Additionally, awards granted under the Incentive Plan may be conditioned upon the attainment of specified performance goals. The types of awards included in the Incentive Plan are stock options, dividend units, performance shares, and rights to acquire restricted stock and stock bonuses. As of March 31, 2006, 18,612 shares have been issued pursuant to the Incentive Plan, and 397,146 shares are issuable upon the exercise of outstanding options, restricted stock units and deferred restricted stock units. The remaining shares available for issuance under the Incentive Plan are 1,384,242. The total compensation cost charged to income under the Incentive Plan for the three months ended March 31, 2006 and March 31, 2005 was $218,000 and $340,000 respectively, inclusive of dividend equivalent rights. The total benefit, including non-employee directors' converted post-retirement benefits, recorded in shareholders' equity under the Incentive Plan for the three months ended March 31, 2006 and March 31, 2005 was $359,000, and $453,000, respectively.

Stock Options

Awards in the form of stock option agreements under the Incentive Plan allow executives to purchase common shares at a specified price. Options are granted at an exercise price that is not less than the per share market price on the date of the grant. Options vest at a 25% on each annual date over four years and are exercisable over a 10-year period. No options were granted during the three month period ending March 31, 2006. During the three months ended March 31, 2006, 550 shares were exercised by a former employee, including 20 shares from vested dividend equivalent rights. Shares subject to outstanding options under the Incentive Plan were 163,470 and 152,698 as of March 31, 2006 and March 31, 2005, respectively.

At the beginning of 2006, SJW Corp. has adopted Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment (Statement 123R), for all existing and new share-based compensation plans in accordance with the modified prospective transition method. Previously, SJW Corp. followed accounting interpretations, as permitted by SFAS 123, Accounting for Stock-Based Compensation (Statement 123), in accounting for share-based compensation plans. To estimate the fair value of options at grant date as the basis for the

stock-based compensation awards, SJW Corp. utilizes the Black-Scholes option-pricing model, which requires the use of subjective assumptions. Further, as required under Statement 123R, SJW Corp. now estimates forfeitures for the share-based awards that are not expected to vest. Changes in these inputs and assumptions can affect the measure of estimated fair value of our share-based compensation. The weighted average assumptions utilized include:

	2006	2005	2004
Expected dividend yield	n.a.	2.6%	3.3%
Expected volatility	n.a.	24.3%	23.6%
Risk-free interest rate	n.a.	3.67%	3.22%
Expected holding period in years	n.a.	5.0	5.0

For the quarter ended March 31, 2006, after taking into consideration the relevant facts and circumstances, SJW Corp. does not project any foreseeable terminations which could lead to forfeiture of unvested options. SJW Corp. has recognized share based compensation expense for the stock options granted under the Incentive Plan of $33,000 and $28,000, for the three months ended March 31, 2006 and March 31, 2005, respectively. A summary of the status of SJW Corp.'s stock options as of March 31, 2006 and changes during the three month period ending March 31, 2006, are shown below.

Stock Options

	Shares	Weighted Average Exercise Price	Weighte Averag remaining lif in year
Outstanding as of January 1, 2006	165,902	$16.38	8.2
Granted	-	-	
Exercised	(530)	$25.00	
Forfeited	(1,902)	-	
Outstanding as of March 31, 2006	163,470	$16.39	7.9
Options exercisable at March 31, 2006	63,277	$14.95	7.6
Range of exercise prices		$14.00-27.69	
Weighted-average fair value of options granted during the year	-	-	

A summary of the status of SJW Corp.'s nonvested stock options as of March 31, 2006 and changes during the three month period ended March 31, 2006, are presented below:

	Shares	We Grant-Dat
Nonvested as of January 1, 2006	125,540	$2
Granted	-	
Vested	(23,445)	$1
Forfeited	(1,902)	$1
Nonvested as of March 31, 2006	100,193	$2

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As of March 31, 2006, total unrecognized compensation costs related to stock options amounted to $271,000. These costs are expected to be recognized over a weighted-average period of 2.08 years.

Restricted Stock and Deferred Restricted Stock Plans

On January 30, 2006, restricted stock units for 14,000 shares of common stock were granted to a key employee of SJW Corp., which vest over a period of four years, as services are rendered. The restricted stock units were valued at a market price of $25.29 per share at the date of grant and will be recognized as share based compensation expense over the vesting period. For the three months ended March 31, 2006, $15,000 has been recorded as share based compensation expense for this grant.

On June 27, 2003, deferred restricted stock units for 83,340 shares of common stock were granted to a key employee of SJW Corp., which vest over a period of three years and are redeemable upon retirement. The deferred restricted stock units were valued at the market price of $14.05 per share at the date of the grant, which is being recognized as stock compensation expense over the vesting period. For the three months ended March 31, 2006 and 2005, compensation expense related to these deferred restricted stock units amounted to $0 and $117,000 respectively.

SJW Corp. has (i) a Deferred Restricted Stock Program ("Stock Program") for non-employee Board members whereby non-employee Board members were entitled in 2003 to elect to convert their existing cash pension benefit into deferred restricted stock units and whereby certain directors will receive annual grants of deferred restricted stock units, and (ii) a Deferral Election Program for non-employee Board members ("Deferral Program") whereby members can elect to convert their annual retainer fees into deferred restricted stock units. The number of shares of each annual deferred restricted stock award is equal to the annual retainer fee as of the date of grant divided by (i) the fair market value of SJW Corp.'s common stock on the date of grant under the Stock Program or (ii) the fair market value of SJW Corp.'s common stock as of the last business day of the year under the Deferral Program.

On September 1, 2003, deferred restricted stock units covering 111,048 shares were granted to non-employee Board members who elected to receive their existing and future cash pension benefits in deferred restricted stock awards under the Deferred Restricted Stock Program at the market price of $14.20 per share. With respect to the conversion of existing pension benefits, which were accrued before the grant date, 40,974 shares were fully vested at the time of grant and the remaining 70,074 shares vest over a period of three years when services are rendered. As of March 31, 2006, a total of 15,978 shares were issued pursuant to deferred restricted stock awards under the Stock Program to a retired non-employee board member. As of March 31, 2006, total vested shares are 73,174. In accordance with Statement 123R, SJW Corp. has recognized share-based compensation expense of $87,000 and $87,000, for the three months ended March 31, 2006 and 2005, respectively, related to deferred restricted stock awards under the Deferred Restricted Stock Program.

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Directors who elect to convert their annual retainer fee receive deferred restricted stock units in an amount equal to the annual retainer fee divided by the fair market value of SJW Corp.'s common stock on the last business day before the date of grant. These deferred restricted stock units vest on a monthly basis over the annual period in which the retainer would have otherwise been earned.

In January 2006, deferred restricted stock units covering 4,744 shares were issued to the non-employee Board members who elected to convert their annual retainer fee at a conversion price of $22.75 per share under the Deferral Program. As of March 31, 2006 and 2005, SJW Corp. granted deferred restricted stock awards for 20,520 and 15,776 shares in lieu of cash retainer fees, respectively. SJW Corp. has recognized share-based compensation expense of $27,000 and $27,000 for the three months ended March 31, 2006 and 2005, respectively, related to deferred restricted stock awards granted to non-employee Board members in connection with their annual retainers. A summary of the status of SJW Corp.'s restricted and deffered restricted stock plans as of March 31, 2006 and changes during the three month period ending March 31, 2006, are shown below.

Deferred Restricted Stock

	Shares	Average I
Outstanding as of January 1, 2006	194,186	
Issued	18,744	
Exercised	-	
Forfeited	-	
Outstanding as of March 31, 2006	212,930	
Shares vested as of March 31, 2006	173,475	

A summary of the status of SJW Corp.'s nonvested restricted and deferred restricted stock plans as of March 31, 2006, and changes during the three month period ended March 31, 2006, are presented below:

	Shares	Grant
Nonvested as of January 1, 2006	49,677	
Granted	18,744	
Vested	28,966	
Nonvested as of March 31, 2006	39,455	

As of March 31, 2006, total unrecognized compensation costs related to the restricted and deferred restricted stock plans amounted to $449,000. These costs are expected to be recognized over a weighted-average period of 0.82 years.

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Dividend Equivalent Rights

Under the Incentive Plan, holders of options, restricted stock and deferred restricted stock awards have the right to receive dividend rights each time a dividend is paid on common shares after the grant date. Stock compensation expense on dividend equivalent rights is expenses and recognized as a liability on the date dividends are issued. The stock compensation expense on stock options and deferred restricted stock awards reported above in this note include the share-based compensation expenses accrued on the dividend equivalent rights. As of March 31, 2006 and 2005, a cumulative of 21,296 and 12,722 dividend equivalent rights were converted, since inception, to deferred restricted stock awards, respectively, and $56,000 and $49,000 related to dividend equivalent rights were accrued as a liability, respectively.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (ESPP) was approved by the shareholders on April 28, 2005, and permits eligible employees to purchase SJW Corp. stock at a discounted price. Shares of common stock are offered for purchase under the ESPP through a series of successive offering periods until such time as (i) the maximum number of shares of common stock available for issuance under the ESPP shall have been purchased or (ii) the ESPP is terminated. A total of 270,400 shares of common stock have been reserved for issuance under the ESPP.

The ESPP allows employees to designate up to a maximum of 10 percent (10%) of their base compensation, subject to certain restrictions, to purchase shares of common stock at 85% of the fair market value of shares on the purchase date. The first purchase interval in effect under the ESPP began on February 1, 2006, and will end on July 31, 2006. The ESPP has no look-back provisions. As of March 31, 2006, cash received from employees towards the ESPP amounted to $79,895.

Share-based compensation cost for awards granted under ESPP of $13,977 has been recognized for the three months ended March 31, 2006, after considering the estimated employee terminations or withdrawals from the plan before the purchase date. For the quarter ended March 31, 2006, adoption of Statement 123R lowered the SJW Corp.'s earnings from continuing operations before income taxes by $13,977.

As of March 31, 2006, total unrecognized compensation costs related to the first semi-annual offering period ended July 31, 2006 for the ESPP amounted to $28,000. These costs are expected to be recognized over a weighted-average period of 0.33 years.

The stock options, deferred restricted stock programs, dividend equivalent rights and ESPP's are all offered through SJW Corp.'s Incentive Plan.

NOTE 3. Regulated and Nonregulated Business

The business activities of SJW Corp. consist primarily of the activities of its subsidiary, San Jose Water Company, a public utility regulated by the California Public Utilities Commission (CPUC), which operates within a service area approved by the CPUC. Included in the total operating revenue and operating expense are the nonregulated business activities of SJW Corp. The nonregulated businesses of SJW Corp. are comprised of operating the City of Cupertino Municipal Water Systems (CMWS), parking and lease operations of several commercial buildings and properties of SJW Land Company, and the sale and rental of water conditioning and purification equipment of Crystal Choice Water Service LLC (CCWS). The following tables represent the distribution of the regulated and non regulated business activities for the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31, 2006 (in thousands)		
	Regulated	Non regulated	Total
Revenue	$ 31,710	2,031	33,741
Expenses	27,215	1,745	28,960
Operating income	$ 4,495	286	4,781

	Three Months Ended March 31, 2005 (in thousands)		
	Regulated	Non regulated	Total

Revenue	$ 31,510	1,796	33,306
Expenses	26,880	1,546	28,426
Operating income	$ 4,630	250	4,880

NOTE 4. Nonutility Property

The major components of net nonutility property as of March 31, 2006 and December 31, 2005 are as follows:

	March 31 2006	December 31 2005
	(in thousands)	
Land	$ 9,110	9,907
Buildings and improvements	26,098	28,582
Intangibles	231	231
Sub-total	35,439	38,720
Less: accumulated depreciation and amortization	3,533	3,870
Total	$ 31,906	34,850

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NOTE 5. Employee Benefit Plans

The components of net periodic benefit costs for SJW Corp.'s pension plan, other postretirement benefit plan and Supplemental Executive Retirement Plan for the three months ended March 31, 2006 and 2005 are as follows:

	Three Months Ended March 31 2006	2005
	(in thousands)	
Service cost	$ 565	513
Interest cost	926	889
Other cost	387	341
Expected return on assets	(740)	(706)
	$ 1,138	1,037

In 2006, SJW Corp. expects to make a contribution of $2,033,000 and $344,000 to the pension plan and other postretirement benefit plan, respectively.

NOTE 6. Segment Reporting

SJW Corp. is a holding company with four subsidiaries: San Jose Water Company (SJWC), a water utility operation with both regulated and nonregulated businesses, SJW Land Company and its consolidated variable interest entity - 444 West Santa Clara Street, L.P., which operates parking facilities and commercial building rentals, Crystal Choice Water Service LLC (CCWS), a business providing the sale and rental of water conditioning and purification equipment, and SJWTX, Inc., which was formed in the third quarter of 2005 in connection with entering into an agreement to purchase substantially all the assets of Canyon Lake Water Supply Corporation. In accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, 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, provided through SJW Corp.'s subsidiary, SJWC. The second segment is property management and development activity conducted by SJW Land Company.

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.

The tables below set forth information relating to SJW Corp.'s 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.

Three Month Ended March 31, 2006 (in thousands)

	SJWC	SJW Land Company	All Other*	Con
Operating revenue	$ 32,384	1,031	326	
Operating expense	27,756	605	599	
Net income	3,823	412	(32)	
Depreciation and amortization	4,994	176	20	
Interest expense	2,351	229	-	
Income tax expense	1,818	238	(162)	
Assets	$508,935	38,520	52,290	

Three Months Ended March 31, 2005 (in thousands)

	SJWC	SJW Land Company	All Other*	Con
Operating revenue	$ 32,175	794	337	
Operating expense	27,385	497	544	
Net income	2,492	99	90	
Depreciation and amortization	4,847	156	20	
Interest expense	2,390	226	-	
Income tax expense	1,857	135	(72)	
Assets	$474,283	41,223	39,282	

*The "All Other" category includes CCWS, and without regard to its subsidiaries, SJW Corp. The assets of SJW Corp. include the investment in California Water Service Group. Please refer to Notes to Consolidated Financial Statements in SJW Corp.'s 2005 Annual Report on Form 10-K.

NOTE 7. Long-Term Liabilities

SJW Corp.'s contractual obligations and commitments include senior notes, mortgages and other obligations. San Jose Water Company, a subsidiary of SJW Corp., has received advance deposit payments from its customers on construction projects. Refunds of the advance deposit payments constitute an obligation of San Jose Water Company.

NOTE 8. Sale of Nonutility Property

On January 20, 2006, SJW Land Company and San Jose Water Company sold approximately one acre of property and a building for $2,850,000. SJW Corp. recognized a gain on the sale of the property of approximately $1,535,000, net of tax of approximately $1,056,000. On February 1, 2006, San Jose Water Company reinvested the proceeds by purchasing utility property at a purchase price of $2,668,000.

NOTE 9. Acquisition

On October 4, 2005, SJWTX Water, Inc. (SJWTX Water), a newly formed Texas corporation and wholly owned subsidiary of SJW Corp., entered into an agreement to purchase substantially all of the assets of Canyon Lake Water Supply Corporation (CLWSC), a Texas nonprofit water supply corporation. CLWSC is a member-owned nonprofit water utility headquartered in Canyon Lake, Texas. CLWSC serves a population of approximately 20,000 with more than 6,700 connections in western Comal County and southern Blanco County, which is approximately 50 miles Southwest of Austin, Texas. Members of CLWSC approved the purchase on November 5, 2005. The purchase price of CLWSC consists of $3.2 million in cash payable to CLWSC at closing, SJWTX Water's assumption, retirement or recapitalization of all of CLWSC's outstanding debt and bond obligations of approximately $20 million and SJWTX Water's payment of certain CLWSC transaction expenses. On February 14, 2006, the Texas Water Development Board authorized the Executive administrator to negotiate a purchase agreement for the sale of CLWSC loan portfolio to SJWTX Water. The acquisition is pending governmental approval from the regulatory agencies which is expected to be completed in mid-2006.

NOTE 10. Subsequent Event

On April 17, 2006, SJW Land Company and San Jose Water Company, wholly-owned subsidiaries of SJW Corp., entered into agreements with Adobe Systems Incorporated (Adobe) for Adobe to purchase an aggregate of approximately 5.5 acres of property located in San Jose, California for a total purchase price of approximately $25,000,000. The agreement between San Jose Water Company and Adobe includes an option for San Jose Water Company to lease-back the buildings and designated parking until June 2008. Since San Jose Water Company will retain more than a minor portion of the use of the property, the property will continue to be classified as utility plant, rather than an asset held-for-sale, until the transaction is completed. In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, (SFAS 144), SJW Corp. classified the carrying cost of the property under the SJW Land Company agreement as long-term assets held-for-sale. The agreement calls for three separate contingency periods during which certain closing conditions must be met. As such, SJW Corp. cannot determine the estimated gain from the sale of property owned by SJW Land Company agreement until the closing contingencies are removed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this Item 2 should be read in conjunction with the financial information and the notes thereto included in Item 1 of this Form 10-Q and the consolidated financial statements and notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in SJW Corp.'s Form 10-K for the year ended December 31, 2005.

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW Corp. and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about SJW Corp. and the industries in which SJW Corp. operates and the beliefs and assumptions of the management of SJW Corp. Such forward-looking statements are identified by words including "expect", "estimate", "anticipate", "intends", "plans", "may", "should", "will" and similar expressions. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report under the section entitled "Factors that May Affect Future Results" under this Item 2 and elsewhere, and in other reports SJW Corp. files with the Securities and Exchange Commission (SEC), specifically the most recent reports on Form 10-K, Form 10-Q and Form 8-K, each as it may be amended from time to time. SJW Corp. undertakes no obligation to update the information contained in this report, including the forward-looking statements, to reflect any event or circumstance that may arise after the date of this report.

General:

SJW Corp. is a holding company with four subsidiaries.

San Jose Water Company, a wholly owned subsidiary of SJW Corp., is a public utility in the business of providing water service to a population of approximately one million people in an area comprising about 138 square miles in the metropolitan San Jose area.

The principal business of San Jose Water Company consists of the production, purchase, storage, purification, distribution and retail sale of water. San Jose Water Company provides water service to customers in portions of the cities of Cupertino and San Jose and in the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos, and adjacent unincorporated territory, all in the County of Santa Clara in the State of California. San Jose Water Company distributes water to customers in accordance with accepted water utility methods, which include pumping from storage and gravity feed from high elevation reservoirs. San Jose Water Company also provides nonregulated water related services under agreements with municipalities. These nonregulated services include full water system operations, billing and cash remittance services.

SJW Land Company, a wholly owned subsidiary of SJW Corp., owns and operates parking facilities, which are located adjacent to San Jose Water Company's headquarters and the HP Pavilion in San Jose, California. SJW Land Company also owns commercial buildings, other undeveloped land primarily in the San Jose

Metropolitan area, some properties in the states of Florida, Connecticut and Texas, and a 70% limited partnership interest in 444 West Santa Clara Street, L.P. The limited partnership has been determined to be a Variable Interest Entity within the scope of FIN 46R, and as a result, it had been consolidated with SJW Land Company.

Crystal Choice Water Service LLC, a subsidiary 75% owned by SJW Corp., engages in the sale and rental of water conditioning and purification equipment.

In the third quarter of 2005, SJW Corp. formed a Texas corporation, SJWTX Water, Inc. (SJWTX Water). SJWTX Water has entered into an agreement to purchase substantially all the assets of Canyon Lake Water Supply Corporation, as discussed in Item 1, Note 9 of SJW Corp.'s accompanying consolidated financial statements.

SJW Corp. also owns 1,099,952 shares of California Water Service Group, which represents approximately 6% of its outstanding shares as of March 31, 2006.

Business Strategy:

SJW Corp. focuses its business initiatives in four strategic areas:

(1) Regional regulated utility operations in the San Jose metropolitan area.

(2) Regional nonregulated water and utility-related services provided in accordance with the guidelines established by the CPUC.

(3) Real estate development and investment activities in SJW Land Company.

(4) Out-of-region water and utility-related services, primarily in the Western United States.

Regional Regulated Activities

SJW Corp.'s regulated utility operation is conducted through San Jose Water Company, a wholly owned water utility subsidiary that provides water service to the greater metropolitan San Jose area. SJW Corp. plans and applies a disciplined approach to improving and maintaining its water system infrastructure. It also seeks to acquire regulated water systems adjacent to or near its existing service territory.

Regional Nonregulated Activities

Operating in accordance with guidelines established by the CPUC, San Jose Water Company provides nonregulated water services under agreements with municipalities and other utilities. Nonregulated services include water system operations, billings and cash remittance processing, maintenance services, and telecommunication antenna leasing.

San Jose Water Company also seeks appropriate nonregulated business opportunities that complement its existing operations or that allow it to extend its core competencies beyond existing operations. San Jose Water Company seeks opportunities to fully utilize its capabilities and existing capacity by providing services to other regional water systems, benefiting its existing regional customers through increased efficiencies and revenue sharing.

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Real Estate Development and Investment

SJW Land Company's real estate investments diversifies SJW Corp.'s asset base and balances SJW Corp.'s concentration in regulated assets. SJW Land Company implements its strategy by exchanging selected real estate assets for relatively low risk investments with a capital structure and risk and return profile that is consistent with SJW Corp.'s consolidated capital structure and risk and return profile.

Out-of-Region Opportunities

SJW Corp. is also pursuing opportunities to participate in out-of-region water and utility-related services, particularly regulated water businesses, in the Western United States. SJW Corp. evaluates possible out-of-region and out-of-state acquisition opportunities that meet SJW Corp.'s risk and return profile.

The factors SJW Corp. considers in evaluating such opportunities include:

* regulatory environment
* synergy potential
* general economic conditions
* potential profitability
* additional growth opportunities within the region
* water quality and environmental issues; and
* capital requirements.

SJW Corp. cannot be certain it will be successful in consummating any transactions relating to such opportunities. In addition, any transaction will involve numerous risks. These include the possibility of paying more than the value derived from the acquisition, the assumption of certain known and unknown liabilities of the acquired assets, the risk of diverting management's attention from normal daily operations of the business, negative impact to SJW Corp.'s financial condition and operating results, the risks of entering markets in which it has no or limited direct prior experience and the potential loss of key employees of any acquired company. SJW Corp. cannot be certain that any transaction will be successful and will not materially harm its operating results or financial condition.

Critical Accounting Policies:

SJW Corp. has identified the accounting policies below as the policies critical to its business operations and the understanding of the results of operations. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. SJW Corp. bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the

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circumstances. The impact and any associated risks related to these policies on SJW Corp.'s business operations is discussed throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect SJW Corp.'s reported and expected financial results. SJW Corp.'s critical accounting policies are as follows:

Balancing Account

The CPUC has established the balancing account mechanism to track the under-collection and over-collection of CPUC authorized revenue associated with expense changes for purchased water, purchased power and pump tax. Since balances are tracked and subject to approval by the CPUC before they can be incorporated into rates, San Jose Water Company has not recognized the balancing account in its financial statements. The balance of the balancing account varies with the seasonality of the water utility business such that during the summer months when the demand for water is at its peak, the balancing account tends to reflect an under-collection, while during the winter months when demand for water is relatively lower, the balancing account tends to reflect an over-collection. Had the balancing account been recognized in San Jose Water Company's financial statements, San Jose Water Company's retained earnings would be decreased by the amount of balancing account over-collection, as the case may be, or increased by the amount of balancing account under-collection, less applicable taxes.

Revenue Recognition

SJW Corp. recognizes its regulated and nonregulated revenue in accordance with SEC Staff Accounting Bulletin 104, "Revenue Recognition".

San Jose Water Company's revenue from metered customers includes billing to customers based on meter readings plus an estimate of water used between the customers' last meter reading and the end of the accounting period. San Jose Water Company reads the majority of its customers' meters on a bi-monthly basis and records its revenue based on its meter reading results. Revenue from the meter reading date to the end of the accounting period is estimated based on historical usage patterns, production records and the effective tariff rates. The estimate of the unbilled revenue is a management estimate utilizing certain sets of assumptions and conditions which include the number of days between meter reads for each billing cycle, the customers' consumption changes, and San Jose Water Company's experiences in unaccounted-for water. Actual results could differ from those estimates, which would result in adjusting the operating revenue in the period which the revision to San Jose Water Company's estimates are determined. As of March 31, 2006 and December 31, 2005, accrued unbilled revenue was $7,437,000 and $8,706,000, respectively. Unaccounted-for water for March 31, 2006 and 2005 approximated 1.8% and 1.5%, respectively, as a percentage of production. The estimate is based on the results of past experience, the trend and efforts in reducing San Jose Water Company's unaccounted-for water through customer conservation, main replacements and lost water reduction programs.

SJW Corp. recognizes its nonregulated revenue based on the nature of the nonregulated business activities. Revenue from San Jose Water Company's nonregulated utility operations and billing or maintenance agreements are recognized in accordance with SEC Staff Accounting Bulletin 104, "Revenue Recognition", when services have been rendered. Revenue from SJW Land Company is recognized ratably over the term of the lease or when parking services have been rendered. Revenue from Crystal Choice Water Service LLC is recognized at the time of the delivery of water conditioning and purification equipment or ratably over the term of the lease of the water conditioning and purification equipment.

Recognition of Regulatory Assets and Liabilities

Generally accepted accounting principles for water utilities include the recognition of regulatory assets and liabilities as permitted by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation". In accordance with SFAS No. 71, San Jose Water Company records deferred costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recovered in the ratemaking process in a period different from when the costs and credits were incurred. Accounting for such costs and credits is based on management's judgment that it is probable that the costs will be recoverable in the future revenue of San Jose Water Company through the ratemaking process. The regulatory assets and liabilities recorded by San Jose Water Company primarily relate to the recognition of deferred income taxes for ratemaking versus tax accounting purposes. The disallowance of any asset in the future for ratemaking purposes, including the deferred regulatory assets, would require San Jose Water Company to immediately recognize the impact of the costs for financial reporting purposes. No disallowance had to be recognized as of March 31, 2006 and December 31, 2005. The net regulatory assets recorded by San Jose Water Company as of March 31, 2006 and December 31, 2005 was $13,118,000 and $13,037,000, respectively.

Income Taxes

SJW Corp. estimates its federal and state income taxes as part of the process of preparing the financial statements. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes, including the evaluation of the treatment acceptable in the water utility industry and its regulatory agency. These differences result in deferred tax assets and liabilities, which are included in the balance sheet. If actual results, due to changes in regulatory treatment, or significant changes in tax-related estimates or assumptions or changes in law, differ materially from these estimates, the provision for income taxes will be materially impacted. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Pension Accounting

San Jose Water Company offers a defined benefit plan, Supplemental Executive Retirement Plan and certain post-retirement benefits other than pensions to employees retiring with a minimum level of service. Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the employees, mortality, turnover and medical cost increases.

San Jose Water Company, through its Retirement Plan Administrative Committee (the Committee) managed by representatives from the unions and management, establishes investment guidelines which specify that approximately 30% of the investments are in bonds or cash and the remaining 70% in equity securities. As of December 31, 2005, the plan assets consist of approximately 22% bonds, 5%

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cash and 73% equities. The committee requires that equities be diversified by industry groups to balance for capital appreciation and income. In addition, all investments are publicly traded. San Jose Water Company uses an expected rate of return on plan assets of eight percent (8%) in its actuarial computation. The distribution of assets is not considered highly volatile and sensitive to changes in market rates and prices. Furthermore, foreign assets are not included in the investment profile and thus risk related to foreign exchange fluctuation has been eliminated.

The plan assets are marked to market at the measurement date. The investment trust assets incurred unrealized market losses in years prior to 2004. Unrealized market losses on pension assets are amortized over 14 years for actuarial expense calculation purposes.

San Jose Water Company utilizes Moody's 'A' and 'Aa' rated bonds in industrial, utility and financial sectors with outstanding amounts of $1,000,000 or more in determining the discount rate used in calculating the pension and other postretirement benefit liabilities at the measurement date. For the year ending December 31, 2005, the composite discount rate used was 5.75%.

Share Based Compensation Plans

SJW Corp. has a stockholder-approved long-term incentive plan that allows granting of nonqualified stock options, performance shares, deferred restricted stock awards and dividend awards. Under the plan, a total of 1,800,000 common shares have been authorized for awards and grants. Effective January 1, 2006, SJW Corp. has adopted Statement of Financial Accounting Standards (SFAS) No. 123R, using the modified prospective method of transition. Previously, awards were accounted for using SFAS No. 123. SJW Corp. utilizes the Black-Scholes option-pricing model to compute the fair value of options at grant date and the fair value of options granted as the basis for the share based compensation for financial reporting purposes.

In addition to the option grants, SJW Corp. has granted restricted stock units and deferred restricted stock units to a key employee of SJW Corp., which were valued at market price at the date of grant. SJW Corp. is recognizing the fair market value of such units granted as compensation expense, over the vesting period of three years as services are rendered.

Additionally, deferred restricted stock awards granted to non-employee board members from the conversion of cash pension benefits were valued at market price at the date of grant. SJW Corp. is correspondingly recognizing the fair market value of the unvested deferred restricted stock awards granted as compensation expense, over the vesting period of three years, as services are rendered.

Consolidation Policy of Majority-Owned Enterprises

SJW Corp. consolidates its 75% controlling interest of Crystal Choice Water Service LLC in its Financial Statement with the 25% minority interest included as "other" in the Consolidated Statements of Income and Comprehensive Income and in "other noncurrent liabilities" on the Balance Sheet. Effective January 1,

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2004, SJW Corp. adopted FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities". As a result of the adoption of FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities" in 2004, SJW Corp. identified its investment in 444 West Santa Clara Street, L.P. as a variable interest entity with SJW Land Company as the primary beneficiary. SJW Corp. consolidates its 70% limited partnership interest in 444 West Santa Clara Street, L.P. with the 30% minority interest included as "other" in the

Consolidated Statements of Income and Comprehensive Income and in "other noncurrent liabilities" on the Balance Sheet.

Recognition of Gain/Loss on Nonutility Property

In compliance with the Uniform System of Accounts (USOA) prescribed by the CPUC and conforming to generally accepted accounting principles for rate-regulated public utilities, the cost of retired utility plant, including retirement costs (less salvage), is charged to accumulated depreciation and no gain or loss is recognized for utility plant used and useful in providing water utility services to customers.

Nonutility property in San Jose Water Company is property that is neither used nor useful in providing water utility services to customers and is excluded from the rate base for rate-setting purposes. San Jose Water Company recognizes gain/loss on disposition of nonutility property in accordance with CPUC Code Section 790. Nonutility property in SJW Land Company and Crystal Choice Water Service LLC consists primarily of land, buildings, parking facilities and water conditioning equipment. Net gains or losses from the sale of nonutility property are recorded as a component of other income (expense) in the consolidated statement of income and comprehensive income.

Recent Accounting Pronouncements:

Effective January 1, 2006, SJW Corp. has adopted Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, as discussed in Item 1, Note 2 of SJW Corp.'s accompanying consolidated financial statements.

Liquidity and Capital Resources:

San Jose Water Company's budgeted capital expenditures for 2006, exclusive of capital expenditures financed by customer contributions and advances, are $39,950,000 with capital expenditures concentrated in water main replacements. Approximately $18,000,000 will be spent to replace San Jose Water Company's mains in 2006. Year to date capital expenditures as of March 31, 2006 approximate $6,678,000.

San Jose Water Company's capital expenditures are incurred in connection with normal upgrading and expansion of existing facilities and to comply with environmental regulations. San Jose Water Company expects to incur approximately $187,000,000 in capital expenditures, which includes replacement of pipes and mains, and maintaining existing water systems, over the next five years, exclusive of customer contributions and advances. San Jose Water Company's

actual capital expenditures may vary from its projections due to changes in the expected demand for services, weather patterns, actions by governmental agencies and general economic conditions. Total additions to the utility plants normally exceed company-financed additions by several million dollars as a result of new facilities construction funded with advances from developers and contributions in aid of construction.

A substantial portion of San Jose Water Company's distribution system was constructed during the period from 1945 to 1980. San Jose Water Company expects that expenditure levels for renewal and modernization of this part of the system will grow at an increasing rate as these components reach the end of their useful lives. In most cases, replacement cost will significantly exceed the original installation cost of the retired assets due to increases in the costs of goods and services.

As of March 31, 2006, SJW Corp.'s share of capital investment in Crystal Choice Water Service LLC approximated 75%. SJW Corp. does not expect to make significant cash contributions to Crystal Choice Water Service LLC in 2006.

Historically, San Jose Water Company's write-offs for uncollectible accounts represent less than 1% of its total revenue. Management believes it can continue to collect its accounts receivable balances at its historical collection rate.

Sources of Capital:

San Jose Water Company's ability to finance future construction programs and sustain dividend payments depends on its ability to attract external financing and maintain or increase internally generated funds. The level of future earnings and the related cash flow from operations is dependent, in large part, upon the timing and outcome of regulatory proceedings.

San Jose Water Company's financing activity is designed to achieve a capital structure consistent with regulatory guidelines of approximately 50% debt and 50% equity. As of March 31, 2006, San Jose Water Company's funded debt and equity were 46.3% and 53.7%, respectively.

Historically, San Jose Water Company's internally generated funds, which include allowances for depreciation and deferred income taxes, have provided approximately 50% of the cash requirements for San Jose Water Company's capital expenditures. Due to its strong cash position and low financial leverage condition, funding for its future capital expenditure program will be provided through internally generated funds and long-term debt. San Jose Water Company and its parent, SJW Corp., do not currently anticipate the issuance of any equity to finance future capital expenditures.

San Jose Water Company has outstanding $130,000,000 of unsecured senior notes as of March 31, 2006. The senior note agreements of San Jose Water Company generally have terms and conditions that restrict San Jose Water Company from issuing additional funded debt if (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12 calendar month period would be less than 175% of interest charges. As of March 31, 2006, San Jose Water Company's funded debt was 46.4% of total capitalization and the net income for the preceding 12 months was 487% of interest charges.

San Jose Water Company has a $2,007,000 loan from the Safe Drinking Water State Revolving Fund (SDWSRF) at a rate of 2.39%. This loan was funded in 2005 and requires semi-annual principal and interest payments commencing in July 2006. San Jose Water Company issued a standby letter of credit with a commercial bank in the amount of $2,000,000 in support of this loan. The letter of credit automatically renews for one year each December unless the issuing bank elects not to renew and the amount of coverage can be reduced as the principal balance decreases.

In 2004, the California Department of Water Resources approved San Jose Water Company's application for a second loan under the SDWSRF program. The loan is for approximately $1,660,000 over a term of 20-years at an interest rate of 2.60%. These funds will be used for water treatment plant improvements to meet increasing filtration standards. San Jose Water Company expects to receive the funding of this loan in 2006, when all documentation have been completed.

In connection with the acquisition of two properties in the states of Connecticut and Florida in April 2003, SJW Land Company executed mortgages in the aggregate amount of $9,900,000 in April 2003. The mortgage loans have an original maturity of 10 years and are being amortized over 25 years with a fixed interest rate of 5.96% and are secured by the two properties in the states of Connecticut and Florida. The loan agreements generally restrict SJW Land Company from prepayment in the first five years and require submission of periodic financial reports as part of the loan covenants. The properties were leased to a multinational organization for a term of 20-years.

The 444 West Santa Clara Street, L.P., in which SJW Land Company owns a 70% limited partnership interest, has a mortgage loan in the outstanding amount of $4,075,000 as of March 31, 2006. The mortgage loan is due in April 2011 and is amortized over 25 years with a fixed interest rate of 7.80%. The mortgage loan is secured by the partnership's real property and is non-recourse to SJW Land Company.

In connection with a nonutility property condemnation that occurred in the fourth quarter of 2004, SJW Land Company intends to identify replacement property and reinvest the proceeds by November 2006, in order to qualify the transaction under Internal Revenue Code section 1033.

SJW Corp. and its subsidiaries have unsecured lines of credit available allowing aggregate short-term borrowings of up to $30,000,000 at rates that approximate the bank's prime or reference rate. At March 31, 2006, SJW Corp. and its subsidiaries had available unused short-term bank lines of credit of $30,000,000. The lines of credit will expire on July 1, 2006.

Results of Operations:

Overview

SJW Corp.'s consolidated net income for the three months ending March 31, 2006 was $4,203,000, compared to $2,681,000 for the same period in 2005. The increase of $1,522,000 or 57% is primarily attributed to the sale of nonutility property.

Operating Revenue

	Operating Revenue by Subsidiary Three Months Ended March 31 (in thousands)	
	2006	2005
San Jose Water Company	$32,384	32,175
SJW Land Company	1,031	794
Crystal Choice Water Service LLC	326	337
	$33,741	33,306

The change in consolidated operating revenue was due to the following factors:

Three Months Ended
March 31, 2006 vs 2005
Approximate Increase/(decrease)
(in thousands)

Utility:		
Consumption changes	$ (274)	(1%)
New customers increase	209	-
Rate increases	274	1%
Parking and lease	237	1%
Crystal Choice Water Service LLC	(11)	-
	$ 435	1%

Operating Expenses

	Operating Expense by Subsidiary Three Months Ended March 31 2006	2005
	(in thousands)	
San Jose Water Company	$27,756	27,385
SJW Land Company	605	497
Crystal Choice Water Service LLC	385	430
SJW Corp.	214	114
	$28,960	28,426

The change in operating expenses from the same period in 2005 was due to the following factors:

	Three Months Ended March 31, 2006 vs 2005 Approximate Increase/(decrease) (in thousands)	
Water production costs:		
Increased surface water supply	$ (1,397)	(4%)
Usage and new customers	87	-
Pump tax and purchased water price increase	341	1%
Energy prices and other	24	-
Total water production costs	(945)	(3%)
Non-water production costs:		
Administrative and general	543	2%
Other operating expense	470	2%
Maintenance	267	1%
Property taxes and other non-income taxes	58	-
Depreciation and amortization	167	-
Total non-water production costs	1,505	5%
Income taxes	(26)	-
Total operating expense	$ 534	2%

San Jose Water Company's water supply consists of groundwater from wells, surface water from watershed run-off and diversion, and imported water purchased from the SCVWD. Surface water is the least expensive source of water and its availability will significantly impact the water production costs of the San Jose Water Company.

Water production for the three months ended March 31, 2006 decreased 27 million gallons from the same period in 2005. During this period, more surface water was used when compared to the same period in 2005.

The change in San Jose Water Company's source of supply mix was as follows:

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	Three Months Ended March 31 2006 vs. 2005 Increase/(decrease) (in million gallons)	
Purchased water	(473)	(6%)
Ground water	(442)	(6%)
Surface water	892	12%
Reclaimed water	(4)	-
	(27)	0%

The changes in the source of supply mix were consistent with the changes in the water production costs.

Non-water production costs include administrative costs which contains costs for employee benefits and salaries and wages. The increase in non-water production costs for the first quarter of 2006 consisted principally of: $543,000 increase in general and administrative costs; which included a $433,000 increase for salaries, benefits and retirement costs, a $153,000 increase for liability insurance, a $137,000 increase for professional services, and a $52,000 increase in other expenses offset by a $232,000 refund of 2005 worker's compensation premiums. In addition, other operating expenses increased $470,000, maintenance expenses increased $267,000, and other taxes and depreciation expense increased $225,000. Income tax expense decreased $26,000 in the first quarter of 2006.

Comprehensive income for the three months ended March 31, 2006 increased by $4,426,000, net of taxes, compared to a loss of $2,777,000, net of taxes, for the same period in 2005. The change was due to an increase in market value of the investment in California Water Service Group.

Factors That May Affect Future Results:

Water Supply and Energy Resources

San Jose Water Company's water supply is obtained from wells, groundwater, watershed run-off and diversion, surface water and by import water purchases from the SCVWD under the terms of a master contract with SCVWD expiring in 2051. Groundwater level in 2006 remains slightly higher than the 30-year normal level.

On April 3, 2006, the SCVWD's 10 reservoirs were 93.7% full with 158,344 acre-feet of water in storage. The rainfall in the season commencing July 1, 2005 was approximately 124% of historical season average.

Rainfall at San Jose Water Company's Lake Elsman was measured at 51.59 inches for the season of July 1, 2005 through March 31, 2006, which is approximately 138.2% of the five-year average. Local surface water is a less costly source of water and its availability significantly impacts San Jose Water Company's results of operations.

Based on information provided by SCVWD in its Water Utility Enterprise Report, San Jose Water Company believes that its various sources of water supply are sufficient to meet customer demand for the remainder of the year.

To the extent that San Jose Water Company has to pump water during peak periods to satisfy customer demand when imported water is not available, higher energy costs will be incurred. Currently, the CPUC has no established procedure for water utilities to recover the additional costs incurred due to such unanticipated changes in water supply mix. There can be no assurance that such costs will be recovered in full or in part.

Security Issues

San Jose Water Company has taken steps to increase security at its water utility facilities and continues to implement a comprehensive security upgrade program for production and storage facilities, booster pump stations and company buildings. San Jose Water Company also coordinates security and planning information with eight other large regional water utilities within the San Francisco Bay area, as well as various governmental and law enforcement agencies.

San Jose Water Company conducted a system-wide vulnerability assessment in compliance with federal regulations that Public Law 107-188 imposed on all water utilities. The assessment report was filed with the government on March 31, 2003. The vulnerability assessment identified system security enhancements that impact water quality, health, safety and continuity of service totaling approximately $2,300,000. San Jose Water Company is completing the final implementation of security related capital improvements and as of March 31, 2006, $2,243,000 has been incurred to date on this project. San Jose Water Company has and will continue to bear costs associated with additional security precautions to protect its water utility business and other operations. San Jose Water Company actively participated in the security vulnerability assessment training offered by the American Water Works Association Research Foundation and the Environmental Protection Agency.

Regulatory Affairs

Almost all of the operating revenue of San Jose Water Company results from the sale of water at rates authorized by the CPUC. The CPUC sets rates that are intended to provide revenue sufficient to recover operating expenses and produce a reasonable return on common equity. The timing of rate decisions could have an impact on the results of operations.

On August 19, 2004, the CPUC issued San Jose Water Company's most recent General Rate Case decision (D.04-08-054). The decision granted San Jose Water Company authority to increase rates by $11,773,000 or 8.00% in 2004, $4,283,000 or 2.69% in 2005 and $4,245,000 or 2.59% in 2006. The authorized return on common equity in 2004, 2005 and 2006 is 9.90%, which is within the range of recent rates of return authorized by the CPUC for water utilities.

Pursuant to this general rate case decision, on January 1, 2006, San Jose Water Company was authorized a revenue increase of $4,245,000, or about 2.59%, designed to recover projected operating cost increases for 2006. Also pursuant to D.04-08-054, on February 16, 2006 the CPUC authorized an $863,000 revenue increase to recover additional plant additions originally authorized in D.04-08-054. Finally, on March 3, 2006 the CPUC authorized the implementation of a customer surcharge to fund the repayment of a 20-year, $2 million loan under the Safe Drinking Water State Revolving Fund program used to finance water quality improvements in the water system.

As required by Public Utilities Code Section 455.2, on February 15, 2006 San Jose Water Company filed a General Rate Case Application requesting rate increases of $14,646,000 or 8.54% in 2007, $5,196,000 or 2.78% in 2008, and $6,246,000 or 3.26% in 2009. San Jose Water Company has also requested recovery of $451,000 from its various balancing and memorandum accounts via customer surcharges. San Jose Water Company is proposing this increase due to escalating operating expenses as well as significant capital expenditures over the next several years.

Balancing Account Recovery Procedures

On March 16, 2004, the CPUC affirmed its June 19, 2003 decision (D.03-06-072), in which the CPUC revised the existing procedures for recovery of under-collections and over-collections in balancing accounts existing on or after November 29, 2001 as follows: (1) If a utility is within its rate case cycle and is not over-earning, the utility shall recover its balancing account subject to reasonableness review; and (2) If a utility is either within or outside of its rate case cycle and is over-earning, the over-earnings will be used as a measure by which recovery of offset expenses in the balancing account will be reduced. For example, if the amount of the over-earning is equal to or exceeds the amount of offset expenses to be recovered in the balancing account, those expenses shall be reduced to zero. Any offset expenses accumulated in the balancing account would be amortized as other expenses and any offset revenues collected in the balancing account would be returned to ratepayers. Utilities shall use the recorded rate of return means test to evaluate earnings for all years. The expenses used in this earnings test shall be adjusted for any "extraordinary" expenses and revenue shall be adjusted for any "extraordinary" revenue. The earnings test will use recorded rate base. Utilities must file for recovery of the balancing account balances before March 31 of every year.

Subsequently, on September 9, 2003 and March 30, 2004, San Jose Water Company filed two compliance filings requesting CPUC review of the balancing account over-collected balance of approximately $382,000, accrued between November 29, 2001 and December 31, 2003. On June 15, 2004, the CPUC notified San Jose Water Company that the over-collected balances had been verified and should be carried forward to the next review period. As of March 31, 2006 and December 31, 2005, the approved balance is an over-collection of $408,000 and $403,000, respectively, including interest on the approved amounts.

On March 30, 2005, San Jose Water Company filed a compliance filing requesting the CPUC review of the balancing account under-collected balance of approximately $999,000, accrued between January 1, 2004 and December 31, 2004. On June 24, 2005, San Jose Water Company filed a supplemental compliance filing revising the under-collected balance to approximately $760,000. On October 27, 2005, the CPUC notified San Jose Water Company that the under-collected balance had been verified and should be carried forward to the next review period. As of March 31, 2006 and December 31, 2005, the approved balance is an under-collection of $795,000 and $786,000, respectively, including interest on the approved amounts.

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In March 2006 the CPUC's Executive Director granted all water utilities a 90-Day

Extension for compliance filings requesting the CPUC's review of the balances accrued in the Memorandum Type Balancing Account during 2005. This extension was granted while the CPUC reconsidered the balancing account review process. As of March 31, 2006 and December 31, 2005, the total accrued balance in San Jose Water Company's Memorandum Type Balancing Account for the period January 1 through December 31, 2005, was an over-collection of $141,000 and $139,000, respectively, including interest.

The following is a summary of the balancing account and the memorandum type balancing account:

	March 31, 2006	December 31, 2005
Under/(over)-collected balancing account 11/29/01 to 12/31/03, including interest	$(408)	$(403)
Under-collected balancing account 1/1/2004 to 12/31/2004, including interest	795	786
Over-collected Memorandum Type Balancing Account 1/1/2005 to 12/31/2005, Including interest	(141)	(139)
Over-collected Memorandum Type Balancing Account 1/1/2006 to 3/1/2006	(201)	0
Net under-collected balancing account	$ 45	$ 244

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SJW Corp. is subject to market risks in the normal course of business, including changes in interest rates and equity prices. The exposure to changes in interest rates is a result of financings through the issuance of fixed-rate, long-term debt and short-term funds obtained through the variable rate line of credit. SJW Corp. also owns 1,099,952 shares of California Water Service Group and is exposed to the risk of changes in equity prices.

SJW Corp. has no derivative financial instruments, financial instruments with significant off-balance sheet risks, or financial instruments with concentrations of credit risk. There is no material sensitivity to change in market rates and prices.

ITEM 4. CONTROLS AND PROCEDURES

(a) SJW Corp.'s management, with the participation of SJW Corp.'s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of SJW Corp.'s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer

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and Chief Financial Officer concluded that SJW Corp.'s disclosure controls and procedures (as defined in Rule 13(a)-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by SJW Corp. in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. SJW Corp. believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) There has been no change in internal control over financial reporting during the first fiscal quarter of 2006 that has materially affected, or is reasonably likely to materially affect the internal controls over financial reporting of SJW Corp.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SJW Corp. is subject to ordinary routine litigation incidental to its business. There are no pending legal proceedings to which SJW Corp. or any of its subsidiaries is a party, or to which any of its properties is the subject, that are expected to have a material effect on SJW Corp.'s financial position, results of operations or cash flows.

ITEM 5. OTHER INFORMATION

On April 27, 2006, the Board of Directors of SJW Corp. declared the regular quarterly dividend of $0.14125 per common share. The dividend will be paid June 1, 2006, to shareholders of record as of the close of business on May 8, 2006.

ITEM 6. EXHIBITS

See Exhibit Index located immediately following the Certification of this document, which is incorporated herein by reference as required to be filed by Item 601 of Regulation S-K for the quarter ended on March 31, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SJW Corp.

Date: May 5, 2006

By /s/ Angela Yip

ANGELA YIP
Chief Financial Officer and Treasurer
(principal financial officer)

EXHIBIT INDEX

Exhibit No.	Description of Document
3.1	Restated Articles of Incorporation of SJW Corp. Incorporated by reference to Exhibit 3.1 to Form 10-K for year ended December 31, 2001.
3.2	Certificate of Amendment of the Restated Articles of Incorporation of SJW Corp. filed with the Secretary of State of the State of California on February 22, 2006, incorporated by reference to Exhibit 3.1 to Form 8-K filed on February 27, 2006.
10.1	Annual Retainer Fee Deferral Election Program, as amended and restated January 30, 2006 by SJW Corp. Board of Directors January 31, 2006. Incorporated by reference to Exhibit 10.2 to Form 8-K, filed on February 3, 2006.
10.2	Director Compensation and Expense Reimbursement Policies, as adopted by SJW Corp. Board of Directors on January 31, 2006. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 3, 2006.
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by the President and Chief Executive Officer. (1)
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer and Treasurer. (1)
32.1	Certification Pursuant to 18 U.S.C. Section 1350 by the President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
32.2	Certification Pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)

(1) Filed currently herewith.