

**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, 2004

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.)

374 West Santa Clara Street, San Jose, CA 95196
(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 an accelerated filer. Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Common shares outstanding as of the date of this report are 9,135,441.

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 MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2004	2003	2004	2003
		(Restated, see Note 3)		Restated, see Note 3)
OPERATING REVENUE	\$52,297	49,514	\$128,969	115,634
OPERATING EXPENSES				
Operation:				
Purchased water	14,396	13,371	32,572	28,291
Power	2,108	2,147	4,519	4,260
Pump taxes	8,266	7,498	17,289	13,767
Administrative and general	4,462	4,212	13,256	12,165
Other	3,108	3,111	9,644	9,402
Maintenance	2,216	2,069	6,503	5,745
Property taxes and other nonincome taxes	1,352	1,313	4,006	3,804
Depreciation and amortization	4,689	3,831	13,789	11,396
Income taxes	3,960	4,024	8,556	8,496
Total operating expenses	44,557	41,576	110,134	97,326
OPERATING INCOME	7,740	7,938	18,835	18,308
Gain on sale of nonutility property, net of income taxes of \$2,105	-	-	-	3,030
Interest on long-term debt	(2,372)	(2,178)	(7,136)	(6,370)
Dividend income	311	309	932	928
Other, net	(149)	(102)	(520)	(221)
NET INCOME	<u>\$ 5,530</u>	<u>5,967</u>	<u>\$ 12,111</u>	<u>15,675</u>
Other comprehensive income (loss):				
Unrealized income (loss) on investment	2,002	(2,541)	2,166	2,376
Income taxes	(821)	1,042	(888)	(974)
Other comprehensive income (loss), net	<u>1,181</u>	<u>(1,499)</u>	<u>1,278</u>	<u>1,402</u>
COMPREHENSIVE INCOME	<u>\$ 6,711</u>	<u>4,468</u>	<u>\$ 13,389</u>	<u>17,077</u>
EARNINGS PER SHARE				
Basic	\$ 0.61	0.66	\$ 1.33	1.72
Diluted	\$ 0.60	0.65	\$ 1.32	1.71
COMPREHENSIVE EARNINGS PER SHARE				
Basic	\$ 0.74	0.49	\$ 1.47	1.87
Diluted	\$ 0.73	0.49	\$ 1.46	1.87
DIVIDENDS PER SHARE	\$ 0.25	0.24	\$ 0.76	0.73
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	9,137,433	9,135,441	9,136,986	9,135,441
Diluted	9,198,718	9,152,832	9,193,627	9,141,237

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands)

	SEPTEMBER 30 2004	DECEMBER 31 2003 (Restated, see Note 3)
ASSETS		
UTILITY PLANT:		
Land	\$ 1,735	\$ 1,750
Depreciable plant and equipment	596,884	570,119
Construction in progress	9,133	4,000
Intangible assets	7,840	7,840
Total utility plant	615,592	583,709
Less accumulated depreciation and amortization	188,441	174,985
Net utility plant	427,151	408,724
NONUTILITY PROPERTY	35,328	34,918
Less accumulated depreciation	2,992	2,349
Net nonutility property	32,336	32,569
CURRENT ASSETS:		
Cash and equivalents	6,489	10,278
Accounts receivable and accrued unbilled utility revenue	24,096	15,043
Prepaid expenses and other	2,589	2,019
Total current assets	33,174	27,340
OTHER ASSETS:		
Investment in California Water Service Group	32,306	30,139
Unamortized debt issuance and reacquisition costs	3,330	3,447
Regulatory assets	8,409	7,976
Other	6,190	6,049
Total other assets	50,235	47,611
	<u>\$542,896</u>	<u>\$516,244</u>
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	\$ 9,516	\$ 9,516
Additional paid-in capital	13,996	13,375
Retained earnings	143,240	138,058
Accumulated other comprehensive income	6,698	5,419
Total shareholders' equity	173,450	166,368
Long-term debt, less current portion	143,898	143,947
Total capitalization	317,348	310,315
CURRENT LIABILITIES:		
Current portion of long-term debt	47	184
Accrued pump taxes and purchased water	7,289	3,224
Purchased power	1,538	864
Accounts payable	6,773	2,217
Accrued interest	2,204	3,619
Accrued taxes	5,055	467
Other current liabilities	5,697	4,501
Total current liabilities	28,603	15,076
DEFERRED INCOME TAXES AND CREDITS	42,715	38,207
ADVANCES FOR AND CONTRIBUTIONS IN AID OF CONSTRUCTION	142,885	141,122
OTHER NONCURRENT LIABILITIES	11,345	11,524
	<u>\$542,896</u>	<u>\$516,244</u>

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	
	2004	2003
		(Restated, see Note 3)
OPERATING ACTIVITIES:		
Net income	\$ 12,111	\$ 15,675
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,789	11,396
Deferred income taxes	4,508	4,262
Stock-based compensation	813	-
Gain on sale of nonutility property, net of taxes	-	(3,030)
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(9,053)	(7,665)
Accounts payable, purchased power and other current liabilities	6,426	5,858
Accrued pump taxes and purchased water	4,065	3,647
Accrued taxes	4,588	3,322
Accrued interest	(1,415)	(1,039)
Other noncurrent assets and noncurrent liabilities	(1,357)	468
Other changes, net	(315)	(556)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,160	32,338
INVESTING ACTIVITIES:		
Additions to utility plant	(33,175)	(30,263)
Additions to nonutility property	(280)	(15,615)
Cost to retire utility plant, net of salvage	(277)	(496)
Proceeds from sale of nonutility property	-	5,370
NET CASH USED IN INVESTING ACTIVITIES	(33,732)	(41,004)
FINANCING ACTIVITIES:		
Repayments for line of credit, net of borrowings	-	(11,450)
Long-term borrowings, net of repayments	(186)	29,842
Stock issuance and buyback	(137)	-
Dividends paid	(6,990)	(6,645)
Receipts of advances and contributions in aid of construction	4,645	11,733
Refunds of advances for construction	(1,549)	(1,275)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(4,217)	22,205
NET CHANGE IN CASH AND EQUIVALENTS	(3,789)	13,539
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	10,278	324
CASH AND EQUIVALENTS, END OF PERIOD	\$ 6,489	\$13,863
Cash paid during the period for:		
Interest	\$ 9,125	\$ 6,812
Income taxes	1,550	1,558

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
SEPTEMBER 30, 2004

Note 1. General

In the opinion of SJW Corp. (the Corporation), 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 2003 Annual Report on Form 10-K should be read with the condensed consolidated financial statements accompanying this report.

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 comprehensive earnings 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. Income available to common shareholders and comprehensive income, respectively, adjusted for recognized stock compensation expense. Diluted earnings per share and comprehensive earnings per share are calculated using the weighted average number of common shares including both shares outstanding and shares potentially issued in connection with stock options and restricted common stock units granted under the SJW Corp. Long-Term Incentive Plan (the Incentive Plan).

For the three months ended September 30, 2004 and 2003, the basic weighted average number of common shares was 9,137,433 and 9,135,441, respectively. For the nine months ended September 30, 2004 and 2003, the basic weighted average number of common shares was 9,136,986 and 9,135,441, respectively. For the three and nine month periods ended September 30, 2004, the diluted weighted average number of common shares outstanding was 9,198,718 and 9,193,627, respectively. The diluted weighted average number of common shares was 9,152,832 and 9,141,237, respectively, for the three and nine month periods ending September 30, 2003.

On January 29, 2004, the Board of Directors of SJW Corp. approved a three-for-one stock split of common stock. The three-for-one stock split was effective on March 2, 2004. Basic and diluted earnings and comprehensive earnings per share for the periods ended September 30, 2003 have been adjusted to three and nine month periods to reflect the impact of the stock split.

Note 2. Long-Term Incentive Plan

The Corporation has reserved 900,000 common shares for issuance under the Incentive Plan. As of September 30, 2004, 4,295 shares have been issued pursuant to the Incentive Plan, and 154,189 shares are issuable upon the exercise of outstanding options and deferred restricted stock. The remaining shares available for issuance under the Incentive Plan are 741,516. The total compensation cost recognized as income under the Incentive Plan was \$290,000 and \$871,000 for the three and nine months ended September 30, 2004, respectively. The total benefit, including non-employee directors' converted post-retirement benefits, recorded in shareholders' equity under the Incentive Plan was \$813,000. As of September 30, 2004, \$59,000 related to dividend equivalent units was accrued as a liability.

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", utilizing the Black-Scholes option-pricing model to compute the fair value of options at the grant date as the basis for the stock-based compensation for financial reporting purposes. The weighted-average assumptions utilized include: expected dividend yield of 3.4%, expected volatility of 27%, risk-free interest rate of 2.86%, expected holding period of five years.

Stock Options

Awards in the form of stock option agreements under the Incentive Plan allow executives to purchase common shares at a specified price. In January 2004, options to purchase 26,076 common shares at an exercise price of \$29.70 per share were issued, and the weighted average fair value was \$5.33 per share, at the date of grant. As of September 30, 2004, options to purchase 55,185 common shares were issued and 266 common shares were issued upon exercise of options. Shares subject to outstanding options under the Incentive Plan were 54,919.

For the three and nine months ended September 30, 2004, the Corporation has recognized stock compensation expenses of \$32,000 and \$97,000, respectively, for the stock options granted under the Incentive Plan. For the three and nine months ended September 30, 2003, the Corporation has recognized stock compensation expenses of \$10,000 and \$16,000, respectively.

Deferred Restricted Stock Program

As of September 30, 2004 and 2003, restricted stock units for 41,670 shares have been granted to a key employee of the Corporation under the Deferred Restricted Stock Program. For the three and nine months ended September 30, 2004, the Corporation has recognized stock compensation expense of \$128,000 and \$384,000, respectively, related to these restricted stock units. For the three and nine months ended September 30, 2003, the Corporation has recognized stock compensation expense of \$117,000.

As of September 30, 2004 and 2003, restricted stock units for 55,524 shares have been granted to non-employee Board members who elected to receive their existing and future cash pension benefits in restricted stock units under the Deferred Restricted Stock Program. As of September 30, 2004, 4,029 shares were issued pursuant to restricted stock units to a retired non-employee

Board member. In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Corporation has recognized stock compensation expense of \$102,000 and \$306,000 for the three and nine months ended September 30, 2004, respectively, related to restricted stock units under the Deferred Restricted Stock Program. For the three and nine months ended September 30, 2003, the Corporation recognized stock compensation expense of \$104,000.

In January 2004, 3,636 shares were issued at an exercise price of \$29.75 per share, to non-employee Board members who elected to convert their annual retainer fee in restricted stock units under the Deferred Restricted Stock Program. As of September 30, 2004, the Corporation has granted restricted stock units for 4,920 shares in lieu of cash retainer fees. For the three and nine months ended September 30, 2004, the Corporation has recognized stock compensation expense of \$28,000 and \$85,000, respectively, related to restricted stock units issued to non-employee Board members in connection with their annual retainers.

Dividend Equivalent Rights

Under the Dividend Equivalent Rights Agreement, holders of options and restricted stock units have the right to receive dividend rights each time a dividend is paid on common shares after the grant date. Stock compensation expenses are measured and recognized on dividend equivalent rights on the date they are granted. The stock compensation expenses on stock options and restricted stock units includes reported in this Note 2. include the stock compensation expenses recognized on the dividend equivalent rights.

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

Note 3. Partnership Interest Restatement

In January 2004, SJW Corp. adopted Interpretation No. 46(R), "Consolidation of Variable Interest Entities" issued by the Financial Accounting Standards Board (FASB). This interpretation provides guidance for determining when a primary beneficiary should consolidate a variable interest entity or equivalent structure, that functions to support the activities of the primary beneficiary.

SJW Land Company, a wholly owned subsidiary of SJW Corp., owns a 70% limited partnership interest in 444 West Santa Clara Street, L.P. (the Partnership), a real estate limited partnership that owns and operates an office building. The Corporation's interest in the limited partnership had previously been accounted for as an investment under the equity method of accounting.

As a result of adopting Interpretation No. 46(R), the Corporation has restated its previously reported December 31, 2003 Consolidated Balance Sheets and its September 30, 2003 Consolidated Statements of Income and Comprehensive Income as follows:

	December 31, 2003	
	As Previously Reported	As Restated
	(in thousands)	
Consolidated Balance Sheets:		
Assets		
Nonutility property	\$ 29,665	\$ 34,918
Less: accumulated depreciation	<u>2,036</u>	<u>2,349</u>
Net nonutility property	<u>\$ 27,629</u>	<u>\$ 32,569</u>
Cash and equivalents	10,036	10,278
Total current assets	27,098	27,340
Investment in affiliate	1,110	-
Other assets	5,594	6,049
Total other assets	48,266	47,611
Total assets	511,717	516,244
Liabilities:		
Long-term debt, less current portion	\$139,614	\$143,947
Total capitalization	305,982	310,315
Other noncurrent liabilities	11,330	11,524
Total capitalization and liabilities	511,717	516,244

	Three Months Ended September 30, 2003	
	As Previously Reported	As Restated
	<u>(in thousands)</u>	
Consolidated Statements of Income and Comprehensive Income:		
Operating revenue	\$ 49,334	\$ 49,514
Total operating expense	41,447	41,576
Operating income	7,887	7,938
Other, net	(51)	(102)
Net income	5,967	5,967
Comprehensive income	4,468	4,468

	Nine Months Ended September 30, 2003	
	As Previously Reported	As Restated
	<u> </u>	
	(in thousands)	
Consolidated Statements of Income and Comprehensive Income:		
Operating revenue	\$115,093	\$ 115,634
Total operating expense	96,974	97,326
Operating income	18,119	18,308
Other, net	(32)	(221)
Net income	15,675	15,675
Comprehensive income	17,077	17,077

There was no cumulative impact on retained earnings that resulted from the adoption of Interpretation No. 46(R).

The Partnership has an outstanding mortgage loan in the amount of \$4,284,000 as of September 30, 2004. The mortgage loan is due April 2011 and amortized over twenty-five 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.

Note 4. Non-regulated Business

The business activities of SJW Corp. consist primarily of its subsidiary, San Jose Water Company, a public utility regulated by the California Public Utilities Commission (CPUC) that operates within a service area approved by the CPUC. Included in total operating revenue and operating expenses are the non-regulated business activities of SJW Corp. The non-regulated 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 (SJW Land), 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 regulated and non-regulated business activities for the three and nine months ended September 30, 2004 and 2003:

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003		
	(in thousands)					
	Non Regulated			Non Regulated		
	Regulated	Regulated	Total	Regulated	Regulated	Total
Revenue	\$49,884	\$ 2,413	\$ 52,297	\$ 47,315	\$ 2,199	\$49,514
Expenses	42,537	2,020	44,557	39,689	1,887	41,576
Operating Income	\$7,347	\$393	\$ 7,740	\$ 7,626	\$ 312	\$ 7,938

	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
	(in thousands)					
	Non Regulated			Non Regulated		
	Regulated	Regulated	Total	Regulated	Regulated	Total
Revenue	\$ 121,998	\$6,971	\$128,969	\$109,998	\$ 5,636	\$115,634
Expenses	104,573	5,561	110,134	92,427	4,899	97,326
Operating Income	\$ 17,425	\$1,410	\$ 18,835	\$ 17,571	\$ 737	\$ 18,308

Note 5. Depreciable Plant and Equipment

The major components of depreciable plant and equipment as of September 30, 2004 and December 31, 2003 are as follows:

	September 30, 2004	December 31, 2003
	(in thousands)	
Equipment	\$ 49,710	\$ 49,071
Transmission and distribution	469,466	455,030
Office buildings and other structures	77,708	66,018
Total	<u>\$596,884</u>	<u>\$570,119</u>

Depreciation of depreciable plant and equipment is computed using the straight-line method over the estimated service lives of the assets, ranging from 5 to 75 years. The estimated service lives of the utility plants are as follows:

	<u>Useful Lives</u>
Equipment	5 to 35 years
Transmission and distribution plant	35 to 75 years
Office buildings and other structures	7 to 50 years

Note 6. Nonutility Property

The major components of net nonutility property as of September 30, 2004 and December 31, 2003 are as follows:

	September 30, 2004	December 31, 2003
	(in thousands)	
Land	\$ 9,917	\$ 9,485
Buildings and improvements	25,180	25,202
Intangibles	231	231
Less: accumulated depreciation and amortization	2,992	2,349
Total	<u>\$32,336</u>	<u>\$32,569</u>

Depreciation of nonutility property is computed using the straight-line method over the estimated service lives of the assets, ranging from 5 to 75 years. Refer to Note 5. Depreciable Plant and Equipment for the estimated service lives of utility property.

Note 7. Employee Benefit Plans

The components of net periodic benefit costs for SJW Corp.'s pension plan and Supplemental Executive Retirement Plan for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	(in thousands)			
Service cost	\$438	354	\$1,314	1,062
Interest cost	762	685	2,286	2,055
Other cost	238	189	714	567
Expected return on assets	(639)	(548)	(1,917)	(1,644)
	<u>\$799</u>	<u>680</u>	<u>\$2,397</u>	<u>2,040</u>

In June 2004, the Corporation made a contribution of \$2,300,000 to the pension plan and expects to contribute \$297,000 to its other post-retirement plan in 2004.

Note 8. Stock Repurchase

On April 29, 2004, SJW Corp.'s Board of Directors authorized a stock repurchase program to repurchase up to 100,000 shares of its outstanding common stock over the next thirty-six months.

For the first nine months of 2004, SJW Corp. repurchased a total of 4,295 shares of its outstanding common stock at the prevailing price in the open market at an aggregate cost of \$144,000. All repurchased shares will be cancelled and are considered authorized and unissued.

Note 9. Segment Reporting

SJW Corp. is a holding company with three subsidiaries: San Jose Water Company (SJWC), a water utility operation with both regulated and non-regulated businesses, SJW Land Company and its consolidated variable interest entity - 444 West Santa Clara Street, L.P. (SJW Land), which operates parking facilities and commercial building rentals, and Crystal Choice Water Service LLC (CCWS), a business providing the sale and rental of water conditioning and purification equipment. In accordance with Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, SJW Corp. has determined that it has one reportable business segment, that of providing water utility and utility-related services to its customers. These services are provided through the Corporation's subsidiary, SJWC.

The Corporation's reportable segment has 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 (loss) and total assets.

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

For Three Months Ended September 30, 2004
(in thousands)

	<u>SJWC</u>	<u>All Other*</u>	<u>SJW Corp.</u>
Operating revenue	\$ 51,086	\$ 1,211	\$ 52,297
Operating expense	43,504	1,053	44,557
Net income	5,335	195	5,530
Depreciation and amortization	4,513	176	4,689
Interest on long-term debt	2,372	-	2,372
Total assets	\$475,147	\$67,749	\$542,896

For Three Months Ended September 30, 2003
(in thousands)

	<u>SJWC</u>	<u>All Other*</u>	<u>SJW Corp.</u>
Operating revenue	\$ 48,466	\$ 1,048	\$ 49,514
Operating expense	40,593	983	41,576
Net income	5,760	207	5,967
Depreciation and amortization	3,684	147	3,831
Interest on long-term debt	2,178	-	2,178
Total assets	\$452,777	\$63,548	\$516,325

For Nine Months Ended September 30, 2004
(in thousands)

	<u>SJWC</u>	<u>All Other*</u>	<u>SJW Corp.</u>
Operating revenue	\$124,926	\$ 4,043	\$128,969
Operating expense	106,889	3,245	110,134
Net income	11,212	899	12,111
Depreciation and amortization	13,271	518	13,789
Interest on long-term debt	7,136	-	7,136
Total assets	\$475,147	\$67,749	\$542,896

For nine months ended September 30, 2003
(in thousands)

	<u>SJWC</u>	<u>All Other*</u>	<u>SJW Corp.</u>
Operating revenue	\$112,532	\$ 3,102	\$115,634
Operating expense	94,399	2,927	97,326
Net income	14,425	1,250	15,675
Depreciation and amortization	11,042	354	11,396
Interest on long-term debt	6,370	-	6,370
Total assets	\$452,777	\$63,548	\$516,325

*The "All Other" category includes SJW Land, CCWS and without regard to its subsidiaries, SJW Corp. Please refer to Results of Operation under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for revenue from SJW Land and CCWS activity. SJW Corp. does not engage in revenue generating activity.

Note 10. Commitments

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 San Jose Water Company's commitments.

Note 11. Proposed Settlement Under Threat of Eminent Domain (Subsequent Event)

In January 2002, SJW Land Company entered into an Agreement for Possession and Use (the Agreement) with Valley Transportation Agency (VTA) whereby SJW Land Company granted VTA an irrevocable right to possession and use of 1.23 acres of the company's parking lot property for the development of a light rail station. VTA had already adopted a resolution authorizing a condemnation proceeding to acquire the land and deposited \$3.7 million in an escrow account as fair market compensation. SJW Land Company waived its right to challenge VTA's possession and use in any subsequent eminent domain proceeding but reserved the right to assert, and has disputed the fair market value placed on the land. According to the terms of the Agreement, if a settlement was not reached within three months of the execution of the Agreement, VTA could file an eminent domain complaint to acquire title to the parking lot property. On April 11, 2003, VTA filed the eminent domain lawsuit. As a part of the proceedings, VTA transferred funds from the escrow account into a court deposit account to secure its ongoing right of possession for construction of the light rail station pending final litigation. Compensation for the taking of property and any damage was to be determined by the court or by way of settlement between SJW Land Company and VTA. A trial scheduled to commence on November 1, 2004, was cancelled because the parties believe they are close to finalizing a settlement through a mediation overseen by a retired judge. The settlement is expected to include a cash payment in excess of the \$3,700,000 discussed above and the conveyance of a parcel to SJW Land Company. The VTA and SJW are working through the final details of the settlement, which has to be approved by the Superior Court of Santa Clara County, and is expected to be completed by the end of 2004.

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

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" 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" 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 three subsidiaries.

San Jose Water Company, a wholly owned subsidiary of SJW Corp., is a public utility in the business of providing water services 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 non-regulated water related services under agreements with municipalities. These non-regulated services include full water system operations, billings 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 and Connecticut, 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.

SJW Corp. also owns 1,099,952 shares of California Water Service Group, which represents approximately 6% of its outstanding shares as of September 30, 2004.

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

Balancing Account

The California Public Utilities Commission (CPUC) establishes a balancing account mechanism within its regulatory regime. A separate balancing account must be maintained for each offset expense item (e.g. purchased water, purchased power and pump tax). The purpose of a balancing account is to track the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. 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 increased by the amount of balancing account over-collection, or decreased by the amount of balancing account under-collection, less applicable taxes, as the case may be. The balancing account under-collection balance accrued prior to November 29, 2001 has been recovered through rate increases authorized by the CPUC. At September 30, 2004 and December 31, 2003, the balancing account had a net balance as follows:

	September 30 2004 2004	December 31 2003 2003
	<hr/>	
	(in thousands)	
Under(over)-collection accrued from November 30, 2001 to period end	\$ 602	\$ (389)

Revenue Recognition

San Jose Water Company's revenue from metered customers includes billings 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. The 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 the 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 September 30,

2004 and December 31, 2003, accrued unbilled revenue was \$13,006,000 and \$6,205,000, respectively.

SJW Corp. recognizes its non-regulated revenue based on the nature of the non-regulated business activities. Revenue from San Jose Water Company's non-regulated 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 regulatory asset as a cost for financial reporting purposes. No disallowance had to be recognized at September 30, 2004 and December 31, 2003. The net regulatory asset recorded by San Jose Water Company as of September 30, 2004 and December 31, 2003 was \$8,409,000 and \$7,976,000, 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.

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 employees, mortality, turnover and medical costs.

San Jose Water Company, through its Retirement Plan Administrative Committee (the Committee) comprised of representatives from the unions and management establishes investment guidelines with specification that at least 30% of the investments are in bonds or cash. As of December 31, 2003, the plan assets consist of approximately 22% bonds, 11% cash and 67% 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 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 the three years prior to 2003. Unrealized market losses on pension assets are amortized over 14 years for actuarial expense calculation purposes.

The Corporation utilizes Moody's 'A' and 'Aa' rated bonds in industrial, utility and financial sectors with outstanding amounts of \$1 million or more in determining the discount rate used in calculating the liabilities at the measurement date. For the year ending December 31, 2003, the composite discount rate used was 6.25%.

Stock-Based Compensation Plans

SJW Corp. has a stockholder-approved long-term incentive plan that allows granting of nonqualified stock options, performance shares, restricted stock units and dividend units. Under the plan, a total of 900,000 common shares are authorized for awards and grants. The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", utilizing the Black-Scholes option-pricing model to compute the fair value of options at grant date as the basis for the stock-based compensation for financial reporting purposes. The weighted-average assumptions utilized include: expected dividend yield of 3.4%, expected volatility of 27%, risk-free interest rate of 2.86%, expected holding period of five years.

In addition to the option grants, SJW Corp. has granted restricted stock units to a key employee of the Corporation, which was valued at market price at the date of grant. The Corporation recognizes the fair market value of the restricted stock granted as compensation expense, over the vesting period of three years.

Additionally, restricted stock units granted to non-employee Board members from the conversion of cash pension benefits were valued at market price at the date of grant. The Corporation is correspondingly recognizing the fair market value of the unvested restricted stock granted as compensation expense, over the vesting period of three years.

Consolidation Policy of Majority-Owned Enterprises

SJW Corp. consolidates its 75% controlling interest of Crystal Choice Water Service LLP 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" in the Balance Sheet. Effective January 1, 2004, the Corporation adopted FASB Interpretation No. (FIN) 46R, "Consolidation of Variable Interest Entities". As a result of the adoption of FIN 46R, the Corporation has 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. has consolidated 444 West Santa Clara Street, L.P. in its consolidated financial statements as of January 1, 2004 and restated its prior periods' financial statements to reflect the consolidation on a comparative basis.

Recent Accounting Pronouncements:

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities", which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. In December 2003, FIN 46R was issued to replace FASB Interpretation No. 46. For any variable interest entities (VIE or VIEs) that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and non-controlling interests of the VIE initially are measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest recognized in the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. The adoption of FIN 46R has resulted in the consolidation of the Corporation's 70% limited partnership interest in 444 West Santa Clara Street L.P. as of January 1, 2004 which had previously been accounted for under the equity method of accounting. As described in Note 3. Partnership Interest Restatement, the financial statements for 2003 have been restated to reflect this change.

In June 2004, the SEC issued Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" for investments accounted for under FASB No. 115, "Accounting in Certain Investments in Debt and Equity Securities", and FASB No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", effective June 15, 2004. The adoption of the EITF Issue No. 03-1 will not have a material impact on the Corporation's financial position, results of operations or cash flows.

Liquidity and Capital Resources:

San Jose Water Company's budgeted capital expenditures for 2004, exclusive of capital expenditures financed by customer contributions and advances, are \$31,158,000 with capital expenditures concentrated in water main replacements. Approximately \$12,000,000 will be spent to replace San Jose Water Company's mains in 2004. Out of the total budgeted capital expenditures of \$31,158,000, \$20,292,000 has been spent as of September 30, 2004.

Starting in 1997, San Jose Water Company began a four-phased Infrastructure Study establishing a systematic approach to replace its utility infrastructure. Phase I and II of the Infrastructure Study analyzed the company's pipes and mains. Phase III and IV examined all other utility facilities. The Infrastructure Study was completed in July 2002 and is being used as a guide for future capital improvement programs. It will also serve as the master plan for the company's future improvements.

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. The company expects to incur approximately \$176,000,000 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. The 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 because certain new facilities are constructed using 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. 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 September 30, 2004, 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 2004.

Historically, San Jose Water Company's write-offs for uncollectible accounts represent less than 1% of its total revenue. Management believes San Jose Water Company 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 September 30, 2004, San Jose Water Company's funded debt and equity were 48.47% and 51.53%, respectively.

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

San Jose Water Company has outstanding \$130,000,000 of unsecured senior notes as of September 30, 2004. The senior note agreements of San Jose Water Company generally have terms and conditions that restrict the 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 twelve calendar month period would be less than 175% of interest charges. As of September 30, 2004, San Jose Water Company's funded debt was 48.47% of total capitalization and the net income for the preceding twelve months was 360% of interest charges.

In 2002, the Department of Water Resources approved San Jose Water Company's application for an approximately \$2,500,000 Safe Drinking Water State Revolving Fund (SDWSRF) twenty-year loan at an interest rate of 2.39%. Funds in the above amount will be used for the retrofit of San Jose Water Company's water treatment plant. As of September 30, 2004, the loan has not been funded. San Jose Water Company will request the funding in the fourth quarter of 2004 when the loan documentation and contract requirements are met.

In August 2004, the 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 twenty years at an interest rate of 2.60%. Funds in the above amount will be used for water treatment plant improvements to meet increasing filtration standards. San Jose Water Company does not expect to receive the funding of this loan until 2005.

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 are due in ten years and amortized over twenty-five 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 the 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 twenty 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 \$4,284,000 as of September 30, 2004. The mortgage loan is due in April 2011 and amortized over twenty-five

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.

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 September 30, 2004, SJW Corp. and its subsidiaries had available unused short-term bank lines of credit of \$30,000,000. The lines of credit expire on July 1, 2005.

Results of Operations

Overview

SJW Corp.'s consolidated net income for the three months ended September 30, 2004 was \$5,530,000, a decrease of \$437,000 or 7% from \$5,967,000 in the third quarter of 2003. Nine months net income was \$12,111,000, a decrease of \$3,564,000 or 23% from \$15,675,000 for the same period in 2003. The nine months earnings decrease was primarily due to an after-tax gain of \$3,030,000 from the sale of a SJW Land Company property recognized in the first quarter of 2003.

Operating Revenue

Operating Revenue by Subsidiary

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	(Restated)		(Restated)	
	(in thousands)			
San Jose Water Company	\$51,086	\$48,466	\$124,926	\$112,532
SJW Land Company	786	765	2,713	2,214
Crystal Choice Water Service LLP	425	283	1,330	888
	\$52,297	\$49,514	\$128,969	\$115,634

Operating revenue for the third quarter was \$52,297,000 versus \$49,514,000 for the same period in 2003, representing an increase of \$2,783,000 or 6%. Approximately \$3,050,000 of the revenue increase was attributable to cumulative rate increases. Additionally, growth in the number of customers contributed \$176,000 to increased revenues and other revenues increased by \$163,000. The revenue increases were offset by a \$606,000 decrease due to lower usage.

Operating revenue for the nine months ended September 30, 2004, was \$128,969,000 versus \$115,634,000 for the same period in 2003, representing an increase of \$13,335,000 or 12%. Approximately \$7,318,000 of the revenue increase was due to a 6.61% rate increase, \$4,739,000 resulting from an increase in usage and \$337,000 due to customer growth at San Jose Water Company.

SJW Land Company's lease revenue increased by \$21,000 and \$499,000 for the third quarter and nine months ended September 30, 2004, respectively, and was primarily due to the addition of two commercial properties in March 2003 to its portfolio.

Crystal Choice Water Service LLC's revenue increased by \$142,000 and \$442,000 for the third quarter and nine months ended September 30, 2004, respectively, over 2003 due to an improved marketing strategy.

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

	Three Months Ended September 30, 2004 vs. 2003 <u>Increase/(decrease)</u>		Nine Months Ended September 30, 2004 vs. 2003 <u>Increase/(decrease)</u>	
	(in thousands)			
Utility:				
Consumption changes	(606)	(1%)	\$ 4,739	4%
New customers increase	176	1%	337	-
Rate increases	3,050	6%	7,318	6%
Parking and rental	21	-	499	1%
Crystal Choice Water Service LLP	142	-	442	1%
	<u>\$ 2,783</u>	<u>6%</u>	<u>\$ 13,335</u>	<u>12%</u>

Operating Expenses

Operating Expenses by Subsidiary

	Three Months Ended September 30 2004 2003 <u>(Restated)</u>		Nine Months Ended September 30 2004 2003 <u>(Restated)</u>	
	(in thousands)			
San Jose Water Company	\$43,504	40,593	\$106,889	94,399
SJW Land Company	435	511	1,412	1,501
Crystal Choice Water Service LLP	437	381	1,318	1,066
SJW Corp.	181	91	515	360
	<u>\$44,557</u>	<u>41,576</u>	<u>\$110,134</u>	<u>97,326</u>

The change in operating expenses from the same period in 2003 was due to the following factors:

	Three Months Ended September 30, 2004 vs. 2003		Nine Months Ended September 30, 2004 vs. 2003	
	<u>Increase/(decrease)</u>		<u>Increase/(decrease)</u>	
	(in thousands)			
Water production costs:				
Decreased surface water supply	\$ 731	2%	\$ 1,508	2%
Usage and new customers	(525)	(2%)	3,050	3%
Pump tax and purchased water price increase	1,620	4%	3,906	4%
Energy prices	(72)	-	(402)	-
Total water production costs	<u>1,754</u>	<u>4%</u>	<u>8,062</u>	<u>9%</u>
Non-water production costs:				
Administrative and general	250	1%	1,091	1%
Other operating expense	(3)	-	242	-
Maintenance	147	-	758	1%
Property taxes and other non-income taxes	39	-	202	-
Depreciation and amortization	858	2%	2,393	2%
Total non-water production costs	<u>1,291</u>	<u>3%</u>	<u>4,686</u>	<u>4%</u>
Income taxes	(64)	-	60	-
Total operating expenses	<u>\$2,981</u>	<u>7%</u>	<u>\$12,808</u>	<u>13%</u>

Water production costs increased \$1,754,000 or 4% of total costs and expenses for the third quarter of 2004. The higher costs were primarily attributable to increases of \$1,620,000 in the combined cost of purchased water and pump taxes from Santa Clara Valley Water District (SCVWD) and reduced surface water availability of \$731,000. This increase was offset by a decrease in customer demand of \$525,000 in addition to lower non-contract water and power costs of \$72,000.

For the nine months ended September 30, 2004, the increase of \$8,062,000 in total water production costs from the same period in 2003 were due to increases of \$3,906,000 in the cost of purchased water and pump taxes, \$1,508,000 in reduced surface water availability and \$3,050,000 due to increased usage and new customers. These increases were offset by a decrease of \$402,000 in energy and other costs.

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 due to the decreased surface water availability in the third quarter of 2004, the water production costs increased by \$731,000.

Water production for the three months ended September 30, 2004 decreased 358 million gallons and increased 2,174 million gallons for the nine months ended September 30, 2004 from the same period in 2003. During these periods, the availability of surface water was significantly lower than the same periods in 2003.

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

	Three Months Ended September 30, 2004 vs. 2003		Nine Months Ended September 30, 2004 vs. 2003	
	<u>Increase/(decrease)</u>		<u>Increase/(decrease)</u>	
	(in million gallons)			
Water production costs:				
Purchased water	(34)	-	1,154	3%
Ground water	136	1%	1,951	5%
Surface water	(481)	(3%)	(1,031)	(2%)
Reclaimed water	20	-	100	-
	<u>(359)</u>	<u>(2%)</u>	<u>2,174</u>	<u>6%</u>

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

The non-water production costs, which include administrative, other operating expenses, maintenance, depreciation and amortization, property taxes and other non-income taxes in the third quarter of 2004, increased \$1,291,000 compared to the same period in 2003. The increase in Administrative and General expenses included \$309,000 in labor and labor related expenses due to bargaining unit wage escalation and new hires. Depreciation expense increased \$858,000 due to higher investment in utility plants. Other increases of \$124,000 were due to various costs, including legal and professional fees, insurance and related costs and contracted work related to ongoing projects.

For the nine months ended September 30, 2004, the non-water production costs increased by \$4,686,000 over the same period in 2003. The increase in Administrative and General expenses included \$193,000 in pension costs primarily as a result of the enhancement of pension plan benefits. Depreciation expense increased \$2,393,000 due to higher investment in the utility plants. Other increases include \$232,000 in legal and professional fees, \$253,000 in insurance and related costs, \$354,000 in contracted work related to various projects, \$1,063,000 in wages, salaries and stock compensation, and \$198,000 in other costs.

Income tax expense decreased by \$64,000 for the third quarter ended September 30, 2004 over the same period in 2003 due to reduction in earnings in 2004. Income tax expense increased by \$60,000 for the nine months ended September 30, 2004 due to increased earnings. The effective income tax rates for the periods ended September 30, 2004 and 2003 both approximated 41%.

The increase in interest expenses for the third quarter and nine months ended September 30, 2004 from the same periods in 2003 was the result of higher interest expenses due to the issuance of Series G Senior Notes in September, 2003, and the long-term debt associated with the commercial properties in Connecticut and Florida acquired in April 2003.

The changes in comprehensive income for the three months and nine months ended September 30, 2004 and 2003 were due to the increase in market value of the investment in California Water Service Group.

Factors That May Affect Future Results

Non-regulated Operations

In January 2002, SJW Land Company entered into an Agreement for Possession and Use (the Agreement) with Valley Transportation Agency (VTA) whereby SJW Land Company granted VTA an irrevocable right to possession and use of 1.23 acres of the company's parking lot property for the development of a light rail station. VTA had already adopted a resolution authorizing a condemnation proceeding to acquire the land and deposited \$3.7 million in an escrow account as fair market compensation. SJW Land Company waived its right to challenge VTA's possession and use in any subsequent eminent domain proceeding but reserved the right to assert, and has disputed the fair market value placed on the land. According to the terms of the Agreement, if a settlement was not reached within three months of the execution of the Agreement, VTA could file an eminent domain complaint to acquire title to the parking lot property. On April 11, 2003, VTA filed the eminent domain lawsuit. As a part of the proceedings, VTA transferred funds from the escrow account into a court deposit account to secure its ongoing right of possession for construction of the light rail station pending final litigation. Compensation for the taking of property and any damage was to be determined by the court or by way of settlement between SJW Land Company and VTA. A trial scheduled to commence on November 1, 2004, was cancelled because the parties believe they are close to finalizing a settlement through a mediation overseen by a retired judge. The settlement is expected to include a cash payment in excess of the \$3,700,000 discussed above and the conveyance of a parcel to SJW Land Company. The VTA and SJW are working through the final details of the settlement, which has to be approved by the Superior Court of Santa Clara County, and is expected to be completed by the end of 2004.

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 2004 remains comparable to the 30-year normal level.

On October 18, 2004, the SCVWD's ten reservoirs were 45.50% full with 76,850 acre-feet of water in storage. The rainfall in the season commencing July 1, 2004 was approximately 45% of historical season average. Average rainfall for the prior five-year period is 30%.

As of September 30, 2004, rainfall at San Jose Water Company's Lake Elsman measured 0.0 inches for the season beginning July 1, 2004, which approximated the five-year average. Local surface water is a less costly source of water and its availability significantly impacts the 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 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, exclusive of the years 2001 to 2002 expenditures. These improvements shall be incorporated into the capital budgets to be completed by 2005. San Jose Water Company is continuing implementation of security related to capital improvements in 2004 and \$860,000 is expected to be spent in 2004. Once completed, San Jose Water Company believes it will have substantially reduced its vulnerability to terrorist attack. 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 California Public Utilities Commission (CPUC). The CPUC sets rates that are intended to provide revenue sufficient to recover operating expenses and produce a reasonable return on common equity.

As required by the CPUC, on May 23, 2003, San Jose Water Company filed a General Rate Case Application with the CPUC. Effective January 1, 2004, the CPUC allowed San Jose Water Company an interim rate increase of approximately 2% as they had not reached a decision on San Jose Water Company's 2003 General Rate Case application. Additionally, effective July 13,

2004 the CPUC authorized a revenue increase totaling \$4.6 million to offset increases in purchased water and pump tax costs imposed on San Jose Water Company by the Santa Clara Valley Water District. On August 19, 2004, the CPUC issued the final decision (D.04-08-054) in San Jose Water Company's General Rate Case Application. The decision grants San Jose Water Company authority to increase rates by \$11,773,000 or 8% 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 of 9.9%, which is within the range of recent rates of return authorized by the CPUC for water utilities. San Jose Water Company was also authorized to recover the current balance of \$71,000 in its Water Contamination Memorandum Account, as well as recovery of an under-collection of \$382,000 accrued in its pre-November 29, 2001 Balancing Account. The new authorized rates became effective August 24, 2004.

Pursuant to Public Utilities Code Section 455.2, San Jose Water Company is allowed revenue true-up from the time of the implementation of the interim rates on January 1, 2004 to the time of the CPUC's ultimate decision in the general rate case. In principal, this mechanism is designed to eliminate the adverse financial impact on water utilities caused by regulatory delays in general rate cases. It is expected that this recovery for San Jose Water Company will become effective in early 2005.

Balancing Account Recovery Procedures

On March 16, 2004 the California Public Utilities Commission affirmed its June 19, 2003 decision (D.03-06-072), in which the Commission 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 below the line 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.

As mentioned above in the general rate case, filed in May 2003, San Jose Water Company has requested recovery of an under-collection of \$382,000 accrued in the pre-November 29, 2001 Balancing Account via a customer surcharge. On August 19, 2004, the CPUC issued D.04-08-054 granting recovery of the under-collection of the pre-November 29, 2001 Balancing Account by way of a twelve-month Quantity Rate Surcharge. The surcharge became effective August 24, 2004. Subsequently, on September 9, 2003 and March 30, 2004, San Jose Water Company filed two compliance filings requesting Commission review of the balancing account over-collected

balance of approximately \$389,000, accrued between November 29, 2001 and December 31, 2003. As this amount is immaterial as compared to overall revenue, rather than refunding the balance, San Jose Water Company proposed that this balance be carried forward to the next review period scheduled for March 2005. On June 15, 2004, the Commission notified San Jose Water Company that the over-collected balances had been verified and should be carried forward to the next review period. The balancing account under-collection balance accrued prior to November 29, 2001 has been recovered through rate increases authorized by the CPUC. The balancing account balance as of September 30, 2004 is a net under-collection of \$602,000.

At September 30, 2004 and December 31, 2003, the balancing account had a net balance as follows:

	September 30 2004	December 31 2003
	(in thousands)	
Under(over)-collection accrued from November 30, 2001 to period end	\$ 602	\$ (389)

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 the SJW Corp.'s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that SJW Corp.'s disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15d-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 third fiscal quarter of 2004 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. Other than as disclosed regarding the eminent domain proceeding in "Non-regulated Operations" under Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", there are no other pending legal proceedings to which the Corporation 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 the Corporation's financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
May 1, 2004 - May 31, 2004	895	\$32.50	895	99,105
August 1, 2004 - August 31, 2004	<u>3,400</u>	\$33.93	<u>3,400</u>	95,705
Total	<u>4,295</u>	\$33.63	<u>4,295</u>	

On April 29, 2004, SJW Corp. announced that its board of directors authorized a stock repurchase program to repurchase up to 100,000 shares of its outstanding common stock over the thirty-six months period following its announcement.

ITEM 5. OTHER INFORMATION

On October 28, 2004, the Board of Directors of SJW Corp. declared the regular quarterly dividend of \$0.255 per common share. The dividend will be paid December 1, 2004, to shareholders of record as of the close of business on November 9, 2004.

In accordance with Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002, SJW Corp. is responsible for disclosing the non-audit services approved by SJW Corp.'s Audit Committee to be performed by KPMG LLP, SJW Corp.'s independent auditor. Non-audit services are defined in the law as services other than those provided in connection with an audit or a review of the financial statements of SJW Corp. The non-audit services approved by the Audit Committee in the third quarter of 2004 are considered by SJW Corp. to be audit-related services that closely relate to the financial audit

process. Each of the services has been approved in accordance with a pre-approval from the Audit Committee's Chairman pursuant to delegated authority by the Audit Committee.

During the quarterly period covered by this filing, the Audit Committee approved additional engagements of KPMG LLP for the following non-audit service: consultations concerning state taxes and protest of tax assessment from the California Franchise Tax Board.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits required to be filed by Item 601 of Regulation S-K.

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 September 30, 2004.

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: November 8, 2004

By /s/ /s/ Angela Yip
ANGELA YIP
Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit No.	Description of Document
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by President and Chief Executive Officer. (1)
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer. (1)
32.1	Certification Pursuant to 18 U.S.C. Section 1350 by 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 Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
	(1) Filed currently herewith.