Decision No. 13080

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of SAN JOAQUIN LIGHT & POWER CORPORATION for an order authorizing the reclassification of its preferred stock.) Application Number 9692

Murray Bourne, for Applicant.

ORIGINAL

BRUNDIGE, Commissioner :

OPINION

In this application San Joaquin Light and Power Corporation asks for an order authorizing it to reclassify its six per cent cumulative preferred stock so as to provide that the holders thereof shall receive dividends at the rate of seven per cent per annum, instead of six per cent per annum, and that such dividends shall be cumulative only from and after December 1, 1923, instead of from and after January 1, 1917.

San Joaquin Light and Power Corporation was organized on or about July 19, 1910 and has an authorized capital stock of $150,000,000.00, divided into 1,500,000 shares of the par value of $100.00 each, and consisting of $50,000,000.00 of common stock, $25,000,000.00 of preferred stock and $75,000,000.00 of prior preferred stock. As of November 30, 1923, the company reports outstanding $11,000,000.00 of common stock, $6,500,000.00 of preferred stock and $7,545,900.00 of prior preferred stock, a total of $25,045,900.00. In addition, it reports capital stock subscriptions of $625,400.00. The preferred stock bears cumulative dividends at the rate of six per cent per annum and the prior preferred stock cumulative dividends at the rate of seven per cent per annum.

Applicant reports its assets and liabilities on November 30, 1923, as follows :-

Assets

Fixed capital		$58,164,624.25	
Reacquired securities		78,665.00	
Subscribers to capital stock		479,773.44	
Current assets :-			
(Cash	$ 1,724,281.26		
(Notes receivable	616,951.49		
(Accounts receivable	962,570.96		
(Materials & supplies	1,584,677.55		
(Marketable securities	35,000.00		
(Miscellaneous	60,149.38		
Total Current Assets		4,983,630.64	
Sinking fund		361,202.27	
Deferred debits:-			
Debt discount & expense	$ 1,743,883.99		
Discount on stock	1,649,882.00		
Other debits	241,396.04		
Total Deferred Debits		3,635,167.03	
Total Assets			$67,703,062.63

Liabilities

Capital stock			
Prior preferred	$ 7,545,900.00		
Preferred	6,500,000.00		
Common	11,000,000.00		
Total Capital Stock		25,045,900.00	
Capital stock subscriptions		625,400.00	
Long term debt		32,423,000.00	
Current liabilities:-			
Accounts payable	$ 486,862.37		
Consumers' deposits	76,100.81		
Dividends declared	228,536.11		
Accrued liabilities	757,915.21		
Total Current Liabilities		1,549,414.50	
Deferred credits		138,811.68	
Reserves		4,185,386.98	
Capital surplus		373,917.50	
Appropriated surplus		254,028.83	
Corporate surplus		3,107,203.14	
Total Liabilities			$67,703,062.63

The company reports that it suspended dividend payments on its preferred stock in 1914 and did not resume such payments until May, 1917, since which time regular dividends have been paid at the rate of six percent. per annum. It appears that the accumulated but unpaid dividends on the preferred stock on November 30, 1923, amounted to $17.50 per share, or a total of $1,137,500.00. The company proposes to pay in cash $292,500.00 of the accumulated dividends, or a sum equal to $4.50 per share, leaving $845,000.00 or the equivalent of $13.00 per share unpaid. It will ask the preferred stockholders to cancel any and all claims to said $845,000.00 of unpaid dividends, and in consideration of such cancellation provide that from and after December 1, 1923, the preferred stock bear cumulative dividends at the rate of seven percent. per annum instead of six percent. per annum.

Applicant submitted evidence for the purpose of showing how much of an investment is represented by its preferred stock. The calculations submitted by applicant were based on the theory that applicant's surplus, $3,107,203.14, was invested in property. Representatives of applicant, however, objected to transferring all of such surplus to "Surplus appropriated for additions and betterments". Since the hearing had on this application, applicant has offered to transfer from the $3,107,203.14 of surplus, $845,000.00, to account No. 251 "Surplus appropriated for additions and betterments." For the purpose of preserving and increasing the equity back of the preferred stock, applicant has further agreed that it will pay no dividends on its common stock unless its surplus, now reported at $3,107,203.14, has been increased to an amount in excess of $4,000,000.00, said $4,000,000.00 to include the $845,000.00 which applicant has agreed to transfer to "Surplus appropriated for additions and betterments."

The company should file with the Commission a duly and legally executed resolution of its Board of Directors, substantially in the form indicated in the order which follows this opinion.

I submit herewith the following form of order:-

O R D E R

The Railroad Commission having been asked to make an order authorizing the San Joaquin Light and Power Corporation to re-classify its preferred stock, as indicated in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted subject to the conditions of this order, therefore

IT IS HEREBY ORDERED that San Joaquin Light and Power Corporation be, and it is hereby, authorized to amend its Articles of Incorporation so that its six percent. cumulative preferred stock will from and after December 1, 1923, bear cumulative dividends at the rate of seven percent. per annum; provided, that all claims for $845,000.00 of the accumulated dividends now unpaid upon such stock be cancelled; and provided further, that within sixty (60) days after the date hereof, San Joaquin Light and Power Corporation file with the Commission a certified copy of a duly and legally executed resolution of its Board of Directors to the effect that it will not pay any dividends on its common stock unless and until the surplus reported to this Commission on November 30, 1923 at $3,107,203.14 has, as a result of surplus earnings, been increased to an amount not less than $4,000,000.00, and to the further effect that it will not pay dividends on such common stock in an amount which will thereafter reduce such surplus to a sum less than $4,000,000.00.

The authority herein granted is subject to further conditions as follows:-

1. If applicant's stockholders authorize the amendment of its Articles of Incorporation, applicant shall, within thirty (30) days after its Articles of Incorporation have been amended, file with the Railroad Commission a certified copy of its amended Articles of Incorporation.

2. The authority herein granted will become effective upon the date hereof and will apply only to such amendment of applicant's Articles of Incorporation as may have been made on or before May 1, 1924.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 26th day of January, 1924.

C. L. Seavey

H. W. Brundige

Irving Martin

Egerton Shore

J. L. Whittesley

Commissioners.

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