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ORIGINAL

Decision No. 5275

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of SAN JOAQUIN LIGHT & POWER)	
CORPORATION for an order authoriz-)	<u>Application No. 3557</u>
ing the issue of bonds of face)	
value of \$767,000.00.)	

Short and Sutherland, by W. A. Sutherland,
for San Joaquin Light & Power Corporation.

THELLEN, Commissioner.

O P I N I O N

San Joaquin Light & Power Corporation in its amended petition herein asks authority to issue \$767,000.00 of its Series "C" 6 Per Cent First and Refunding Bonds, payable August 1, 1950. Petitioner desires authority to issue the bonds at not less than 90 per cent of their face value and to use the proceeds for the acquisition of property, the construction, completion, extension and improvement of its facilities and the improvement of its service. The proceeds are to be used when and as liability to pay the cost of such improvements and betterments accrues or as obligations to pay money borrowed for such purposes mature.

At the hearing held herein in San Francisco on March 11, 1918, petitioner was requested to file certain additional information. This information has been filed and under the stipulation made at the hearing has been given exhibit numbers as follows:-

Exhibit No. 4 of Petitioner - Copy of amended application on file with State Water Commission relative to new installation on San Joaquin River and data relative to the Kings River project.

Exhibit No. 5 of Petitioner - Map showing location of proposed Kern River plant.

Exhibit No. 6 of Petitioner - Estimated Revenue from contemplated extensions listed in Petitioner's Exhibit Number 2.

In its annual report for the year ending December 31, 1917, petitioner reports its assets and liabilities as of December 31, 1917, as follows:-

ASSETS:-

Fixed Capital installed prior to January 1, 1913 - Electric	\$21,882,097.16
Fixed Capital installed since December 31, 1912 - Electric	3,314,105.38
Fixed Capital installed prior to January 1, 1913 - Gas	602,901.20
Fixed Capital installed since December 31, 1912 - Gas	78,356.99
Fixed Capital installed prior to January 1, 1913, Water	98,938.45
Fixed Capital installed since December 31, 1912 - Water	<u>13,504.39</u>
Total Fixed Capital	\$25,989,903.57

Brought Forward	\$25,989,903.57
Cash	229,100.37
Notes Receivable	229,900.65
Accounts Receivable	1,018,453.34
Accounts with system corporations	\$326,546.63
Due from Consumers and Agents	357,139.58
Miscellaneous Accounts Receivable	<u>334,767.13</u>
Investments	339,162.80
Securities of Other Corporations	306,121.94
Miscellaneous Investments	<u>33,040.86</u>
Materials and Supplies	490,832.23
Sinking Funds	196,716.48
Treasury Securities	710,276.49
Prepaid Expenses	4,890.74
Prepaid Taxes	1,736.92
Prepaid Insurance	1,842.42
Other Prepayments	<u>1,311.40</u>
Unamortized Discount on Securities and Expenses	1,655,639.36
Stocks	1,250,000.00
Bonds	<u>405,639.36</u>
Other Suspense	287,855.21
Construction Work in Progress	<u>1,897,585.71</u>
<u>Total Assets</u>	<u>\$33,050,316.95</u>

LIABILITIES:

Capital Stock	\$17,500,000.00
Funded Debt	11,699,000.00
Notes Payable	62,653.20
Accounts Payable	352,319.50
Audited Vouchers and Wages Unpaid	\$295,171.92
Consumers' Deposits	28,727.95
Miscellaneous Accounts Payable	<u>28,419.63</u>
Interest Accrued	209,434.95
Taxes Accrued	9,284.55
Service Billed in Advance	10,611.02
Reserve for Accrued Depreciation	673,937.07
Casualty and Insurance Reserves	27,881.45
Reserves Invested in Sinking Funds	788,216.48
Other Reserves from Income or Surplus	80,411.22
Capital Surplus	321,259.98
Corporate Surplus Unappropriated	<u>1,315,307.53</u>
<u>Total Liabilities</u>	<u>\$33,050,316.95</u>

Petitioner in its petition herein reports its funded debt issued and held by the public as follows:-

<u>Description of Funded Debt</u>	<u>Debt Held by Public</u>
S.J.L & Pr. Corp. 1st. & Ref. Series A, 6% bonds	\$1,422,000.00
S.J.L & Pr. Corp. 1st. & Ref. Series B, 5% bonds	799,000.00
S.J.L & Pr. Corp. 1st. & Ref. Series B, 6% bonds	2,125,000.00
S.J.L & Pr. Corp. 1st. & Ref. Series C, 6% bonds	3,072,000.00
Total First and Refunding Bonds	7,418,000.00
S.J.L & Pr. Corp. 10-year 6% Debentures	750,000.00
San Joaquin Power Company, 1st. Mtge. 5% bonds	25,000.00
San Joaquin Lt. & Pr. Co. 1st. Mtge. 5% bonds	2,595,000.00
Power, Transit & Light Co. 1st. Mtge. 5% bonds	86,000.00
Bakersfield & Kern Elec. Ry. Co. 1st. Mtge. 5's	43,000.00
Total	10,917,000.00

The \$11,699,000.00 of funded debt reported by applicant in its balance sheet includes all bonds held by the trustees under the various mortgages for sinking fund or other purposes, whereas the \$10,917,000.00 represents the funded debt actually outstanding and held by the public.

In its annual reports for the years 1915, 1916 and 1917 filed with the Railroad Commission, petitioner reports its revenues and expenses as follows:-

<u>I t e m</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>
<u>Electric Operations:</u>			
Operating Revenues	\$1,577,712.26	\$1,560,951.07	\$1,776,261.62
Operating Expenses	618,947.66	581,602.47	724,200.91
Net Operating Revenue-Electric	958,764.60	979,348.60	1,052,060.71
<u>Gas Operations:-</u>			
Operating Revenues	139,834.40	150,821.91	181,353.78
Operating Expenses	104,293.10	99,928.00	121,961.35
Net Operating Revenues-Gas	35,541.30	50,893.91	59,392.43
<u>Water Operations:</u>			
Operating Revenue	15,708.70	15,635.60	17,150.61
Operating Expenses	7,593.44	5,787.86	6,156.81
Net Operating Revenues-Water	8,115.26	9,847.74	10,993.80
Grand Total Operating Revenues	1,773,255.36	1,727,408.58	1,974,766.01
Grand Total Operating Expenses	730,834.20	687,318.33	852,319.07
<u>Net Operating Revenues</u>	<u>1,002,421.16</u>	<u>1,040,090.25</u>	<u>1,122,446.94</u>

Revenues and Expenses - continued

<u>I t e m</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>
<u>Non-Operating Revenues:</u>			
Rents from Bldgs., Land and Apparatus - Water	* 14.14:	-	-
Misc. Interest Revenues	6,560.60:	10,784.38:	35,141.25
Dividend Revenues	1,058.02:	976.62:	732.48
Sinking and Reserve Fund Accretions	2,622.79:	6,075.57:	8,262.94
Misc. Non-Operating Revenues	* 1,489.84:	3,573.66:	12,301.62
<u>Total Non-Operating Revenues</u>	<u>8,737.43:</u>	<u>21,410.23:</u>	<u>56,438.29</u>
<u>Gross Corporate Income</u>	<u>1,011,158.59:</u>	<u>1,061,500.48:</u>	<u>1,178,885.23</u>
<u>Deductions:</u>			
Uncollectible Bills	4,800.00:	4,800.00:	4,729.07
Misc. Non-Operating Expenses	199.54:	9.68:	-
Non-Operating Taxes	357.40:	525.84:	626.53
Interest accrued on Funded Debt	402,628.63:	461,888.38:	512,663.77
Other Interest Deductions	81,006.95:	12,263.15:	17,748.32
Rent for Instruments and Equipment - (Electric)	80.50:	-	-
Amortization of Debt Discount and Expense	28,972.92:	11,464.89:	12,825.85
<u>Total Deductions</u>	<u>518,045.94:</u>	<u>490,951.94:</u>	<u>548,593.54</u>
<u>Profit for Year Carried to Surplus Account:</u>	<u>493,112.65:</u>	<u>570,548.54:</u>	<u>630,291.69</u>

* credit

The 1915 operating expenses include \$103,545.09 set up for depreciation, those for 1916, \$39,681.44 and those for 1917 \$58,725.19. In 1915 operating expenses included taxes amounting to \$91,209.80, in 1916 \$96,913.46; and in 1917 \$109,977.74.

The additions to and deductions from petitioner's corporate surplus account are reported as follows:-

	<u>1915</u>	<u>1916</u>	<u>1917</u>
Surplus at Beginning of Year	386,253.85:	727,578.99:	1,137,236.14
<u>Additions to Surplus:</u>			
Profit for Yr. from Income Acct	493,112.65:	570,548.54:	630,291.69
Misc. Additions to Surplus	8,978.12:	1,844.36:	34,567.98
<u>Total Surplus</u>	<u>888,344.62:</u>	<u>1,299,971.89:</u>	<u>1,802,095.81</u>
<u>Deductions from Surplus:</u>			
Dividends on Outstanding Stock:	-	-	292,500.00
Sinking Fund Appropriations	145,216.45:	148,566.81:	150,771.69
Expenses unprovided for elsewhere	494.43:	1,681.96:	6,181.47
Other deductions from surplus	15,054.75:	12,486.98:	37,335.12
<u>Total Deductions</u>	<u>160,765.63:</u>	<u>162,735.75:</u>	<u>486,788.28</u>
<u>Surplus at end of year:</u>	<u>727,578.99:</u>	<u>1,137,236.14:</u>	<u>1,315,307.53</u>

The trustee under the First and Refunding Mortgage of San Joaquin Light & Power Corporation may certify and deliver bonds subject to the restrictions set forth in that instrument -

".....for use, in the discretion of the Board of Directors of the Corporation, in or to aid in acquiring, and in providing for eighty-five per centum (85%) of the cost of making additions to and extensions, improvements and betterments of the property of the Corporation or any of the subsidiary companies of the Corporation (as defined in Section 5 of Article Thirteen of the Mortgage) whereof all of the shares of capital stock theretofore outstanding, or all of the shares of such stock except such as are owned by directors (which shall not exceed the number necessary to qualify such directors,) shall be owned by the Corporation and shall have been pledged hereunder and shall be represented by certificates actually deposited with the trustee or with the trustee under some one of the mortgages specifically mentioned in the granting clauses hereof, and of the acquiring, constructing or equipping of additional property by the Corporation or by any subsidiary company such as is last above described, and to reimburse the Corporation for eighty-five per centum (85%) of any moneys at any time expended or advanced by it subsequent to August 1, 1910, for any of the aforesaid purposes."

The First and Refunding Mortgage further provides that the trustee shall not certify or deliver any bonds until the Corporation has furnished it with a statement showing -

".....that the net income of the Corporation for the period of twelve months ending two months before the first day of the then current month has been at least twice the sum of the interest upon (1) all bonds secured by this indenture which shall then be outstanding, (2) all bonds to be secured hereby which shall not have been authenticated and delivered but the authentication and delivery whereof shall have been requested, (3) all bonds to be secured hereby in contemplation of the authentication and delivery whereof such certificate shall be required or furnished, and (4) all of the underlying bonds, except such underlying bonds as shall have been delivered to and shall be held by the Trustee hereunder."

Section 6 of Article Two of the First and Refunding Mortgage defines the term "net income" as being the amount remaining after deducting from the gross income of the Corporation received from all sources whatsoever, all operating expenses, including charges on account of taxes, insurance, rentals, and proper and customary charges for current repairs and maintenance.

Instead of issuing bonds to provide funds for paying for 85 per cent of the cost of additions and betterments, petitioner has adopted a policy whereunder it will issue bonds to provide for but 75 per cent of the cost of additions and betterments. The testimony in this proceeding shows that at the close of January 1918, so far as the provisions of its First and Refunding Mortgage are concerned petitioner would have been able to issue \$767,000.00 of bonds.

In its Exhibit Number 2, petitioner estimates its capital expenditures during 1918 at \$1,554,556.61. These expenditures it segregates in its exhibit as follows:-

Electric Department:

Productions:

Balance to Complete Estimates Issued and Open.	
#2287 - Betteravia steam plant boilers	\$ 21,637.26
#2533 - New cooling tower Bakersfield	5,596.06
#2989 - Tunnel lining and pressure pipe, Crane Valley Dam	18,293.39
#69 - Concrete lining for #1 P.H. ditch	15,853.97
#86 - Gas collection lines for gas for the Betteravia steam plant	9,846.00
#156 - Steel substructures for flumes on No. 1 ditch. (Addition to capital portion only)	6,257.00
#164 - New 1000 K.V.A. unit, Crane Valley Dam	44,279.00
#181 - New well Bakersfield steam plant	2,104.00
#183 - Plant #1A (#1 Reservoir)	57,212.00
#193 - #194 - #195 - Surveys and preliminary engineer- ing for new developments on San Joaquin and Kings River	15,000.00
#312 - Current limiting reactance coils, Bakersfield steam plant	4,065.00
New natural gas line to bring gas to Bakersfield steam plant	135,000.00
Miscellaneous - Estimated	10,000.00
	<u>345,153.68</u>

Transmission Lines

Balance to complete estimates open Dec. 31, 1917 42,848.40

Substations

Balance to complete estimates open

December 31, 1917 \$102,761.13

Less Chowchilla sub for which new

estimate was issued 25,307.07

	77,454.06
#2992 - New substation Merced	27,950.00
#3000 - 700 K.V.A. substation Chowchilla	8,725.00
#21 - New substation Tulare Lake	25,130.00
#65 - Operators cottage, barn, etc. Alpaugh	2,910.00
#22 - 1500 K.W. Capacity Copper Mine	15,812.00
	<u>\$157,981.06</u>

Distribution

Service Improvements (same as 1917)..... 41,502.95

Extensions for Revenue (same as 1917)..... 796,692.41

Balance of purchase of consumers transformers .. 66,008.99

904,204.35

Gas, Water and Railway Departments

Assume same expenditures as 1917 28,285.14

General Capital and Miscellaneous Unclassified Expenditures

Assume same expenditures as 1917 76,083.98

In general, petitioner's 1918 electric construction program calls for the installation of a 1,000 K.V.A. hydro-electric plant at its Crane Valley dam, a 425 K.V.A. hydro-electric plant at its #1 Reservoir, the construction of a six inch natural gas transmission line to connect its Bakersfield steam generating plant with the Midway Gas Company's natural gas transmission line extending from the so-called Midway Oil Fields to Los Angeles, preliminary work in connection with new proposed hydro-electric plants on the San Joaquin River and the north fork of the Kings River, the completion of transmission lines, sub-stations and the construction of distribution lines to take care of new business.

2 The installation of the 1000K.V.A. plant at the ^{R. H. 2} Crane Valley Dam is estimated to cost \$44,279.00 and the lining of the tunnel and pressure pipe, \$18,293.39, making a total cost for this project of \$62,572.39. The installation of the 425 K.V.A. plant at the #1 Reservoir is estimated to cost \$57,212.00. Petitioner thus estimates that at a total cost of \$119,784.39 it will be able to increase its hydro-electric generating capacity in the amount of 1,425 K.V.A. The testimony shows that the equipment for these generating plants was ordered last January, that delivery is promised by July first and that these installations are urgently necessary. In addition, petitioner is at present installing new boilers at its Betteravia steam plant.

Recently petitioner has connected its lines near Strathmore with those of Mt. Whitney Power & Electric Company, controlled by Southern California Edison Company. Mr. G. R. Kenny, statistician for petitioner testified that as yet he was unable to advise the Commission as to just what results this inter-connection would have upon the power resources of San Joaquin Light & Power Corporation. He was of the opinion that the company might be able to obtain some power from the Mt. Whitney Company.

Mr. Kenny is of the opinion that with the installation of the two hydro-electric plants and a normal rainfall the company can take care of the needs of its present consumers as well as all those who may make application for power during the current year.

The company's fuel oil contract expired on December 31, 1917. Under this contract the company purchased a certain amount of fuel oil used in its Bakersfield electric steam generating plant at about \$.51 per barrel delivered. At the present time, the company is paying \$1.45 per barrel. Because of the increase in the cost of fuel oil, the possibility of having to operate its Bakersfield steam plant during a longer period of the current year than usual and for the purpose of conserving fuel oil, petitioner intends to build a six inch natural gas transmission line from Bakersfield to a connection with the transmission line of the Midway Gas Company, extending from the Midway Oil Fields to Los Angeles. For this purpose, petitioner has ordered 127,000 feet of pipe. It intends to substitute natural gas for oil as fuel in its Bakersfield steam generating plant. The cost of the pipe line is estimated at \$135,000.00. Petitioner estimates that this investment will save from 200,000 to 250,000 barrels of fuel oil per annum. The record herein does not contain testimony from which we can at this time form a conclusion with reference to the possibility of securing this quantity of gas or the amount of the possible saving of fuel oil. Petitioner has made arrangements to purchase natural gas from the Midway Gas Company for 14 cents per thousand cubic feet. We are unable at this time to pass on the advisability of this expenditure.

Petitioner is engaged in making the necessary surveys and collecting data to determine the advisability of undertaking the construction of a 15,000 K.W. hydro-electric plant on the main San Joaquin River, and a 75,000 to 100,000 K.W. hydro-electric plant on the north fork of the Kings River. Neither of

these projects has reached the stage of actual construction. While I appreciate the necessity of expending considerable sums for these purposes, I believe that until such time as it is definitely determined to go ahead with the projects the amount expended thereon should be carried in a suspense account. Until such time as the Commission is assured that the projects will be carried through to completion, I do not believe that the proceeds from the sale of bonds should be expended thereon. I am satisfied that petitioner will encounter no difficulty in carrying forward this preliminary work, even though it is not authorized to use any part of the proceeds of the bonds herein authorized to pay for the same.

To complete transmission lines in process of construction on December 31, 1917, petitioner would expend \$42,848.40. This includes the so-called Sayers Corners line, the Henrietta-Corcoran line and the Alpaugh line, which is a line from Corcoran to the new sub-station being built at Alpaugh. The \$42,848.40 includes the cost of the necessary switches and equipment.

For completing sub-stations in process of construction, petitioner would expend \$77,454.06. In addition, petitioner contemplates the construction of a new-sub-station at Merced costing \$27,950.00, a new sub-station at Chowchilla, cost, \$8,725.00, ^{10.00} a new sub-station at Tulare Lake costing \$25,130.00 and a new sub-station at Copper Mine costing \$15,812.00.

Mr. Kenny is of the opinion that all of these sub-stations with the possible exception of that at Merced should be built during 1918.

Assuming petitioner to be able to handle the 1918 business, Mr. Kenny estimates that the increase in the number of consumers and the new business will be equal to the increase of consumers and new business in 1917. The difficulty of obtaining material, such as transformers and wire, may to some extent

retard the increase in petitioner's business.

Assuming conditions to be the same as in 1917; petitioner estimates that it should expend for the extension of its distribution system \$796,692.41 and for the improvement of its service \$41,502.95. By far the larger percentage of applications for power will come from people who desire to use electrical energy for irrigation and oil well pumping. Each of these purposes is essential in the service of the nation's war needs. Petitioner is not encouraging at this time the substitution of electric power for gas engine or steam pumping. The larger number of applications for power for irrigation purposes are to irrigate new lands.

Petitioner estimates that if it will be able to carry forward its contemplated construction program, its gross revenues during 1918 will increase from \$250,000.00 to \$350,000.00 over those of 1917.

It is the intention of petitioner to use the proceeds of the bonds which it now desires to issue to pay in part for its construction expenditures to be incurred during 1918. The testimony shows that it has sufficient funds available from the sale of its debentures to pay for its construction work to approximately April first. It appears from the testimony that the proceeds from the sale of bonds will be applied entirely to finance construction expenditures hereafter to be incurred. I am of the opinion that petitioner should be permitted to use the proceeds from the sale of its bonds to pay in part for construction expenditures set forth in its Exhibit No. 2 on the condition that before any part of the proceeds from the sale of the bonds are actually applied against said expenditures, petitioner will file with the Commission a detailed statement of its expenditures which it desires to pay with the proceeds of bonds and shall have secured from the Railroad Commission a supplemental order or orders authorizing

the expenditure of the proceeds of the bonds for the purposes to be specified in such supplemental order or orders.

I herewith submit the following form of Order:-

O R D E R

SAN JOAQUIN LIGHT & POWER CORPORATION having applied to the Railroad Commission for authority to issue \$767,000.00 of its Series "C" 6 per cent First and Refunding Bonds, payable August 1, 1950, a hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that San Joaquin Light & Power Corporation be; and it is hereby, granted authority to issue \$767,000.00 face value of its Series "C" 6 per cent First and Refunding Bonds, payable August 1, 1950 upon the following conditions:-

(1)-The bonds herein authorized to be issued shall be sold by petitioner for cash at not less than 90 per cent of their face value.

(2)-The proceeds obtained from the sale of the bonds shall be deposited in a special fund and hereafter expended only for such purposes as the Railroad Commission may by a supplemental order or orders herein designate.

(3)-San Joaquin Light & Power Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make

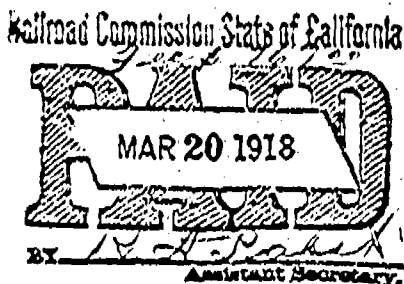
verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month; the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

(4)-The authority herein granted shall not become effective until petitioner has paid the fee prescribed by the Public Utilities Act.

(5)-The authority herein granted shall apply only to such bonds as may be issued on or before December 15, 1918.

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 18th day of March, 1918.



[Signature]
[Signature]
[Signature]
Edwin V. Edgerton
Frank P. Deven
Commissioners.