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ORIGINAL

Decision No. 6406.

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
SAN JOAQUIN LIGHT AND POWER CORPORATION)
for an order, authorizing the issue and)
sale of debentures.)

Application No. 4572.

Murray Bourne, for applicant.

EDGERTON, Commissioner.

O P I N I O N.

The Railroad Commission is asked to make an order authorizing SAN JOAQUIN LIGHT AND POWER CORPORATION to execute an amendment to its debenture agreement dated May 1, 1917; to issue and sell at 88 and accrued interest \$1,000,000 of its Series "B" 6 per cent convertible debentures due May 1, 1929, and use the proceeds obtained from the sale of the debentures to reimburse its treasury and pay for construction expenditures incurred or to be incurred.

Pursuant to an order of the Railroad Commission, San Joaquin Light and Power Corporation on May 1, 1917, executed to Security Trust and Savings Bank, trustee, a debenture trust agreement defining the terms and conditions under which it might issue \$4,500,000 of convertible debentures. Series "A" 5 per cent 10-year debentures, due May 1, 1927, in the principal sum of \$1,000,000 have been issued and sold. Article VI of the debenture trust agreement permits the corporation and trustee to amend the agreement without any action on the part of the holders

of the debentures, provided that the amendments are not inconsistent with the provisions of the agreement or impair the rights of the holders of the debentures. The proposed supplemental debenture agreement, the execution of which the Commission is asked to authorize, is to be executed solely for the purpose of setting forth in regard to Series "B" debentures, the changes as compared to Series "A" debentures heretofore issued under the original agreement dated May 1, 1917. The Series "B" debentures mature May 1, 1929, whereas the Series "A" mature May 1, 1927. In all other respects, the Series "B" debentures are to be issued under substantially the same terms and conditions as were the Series "A".

In Exhibit "1", applicant reports that from January 1, 1917 to April 30, 1919, it expended for construction purposes, exclusive of expenditures for preliminary surveys and reconnaissance work a total of \$3,460,699.65. Against these expenditures, it has issued \$1,858,000 of bonds, \$1,000,000 of debentures and has expended earnings which cannot be capitalized in the sum of \$89,765.60, making a grand total of \$2,947,765.60, or \$512,934.05, less than the total expenditures. Mr. A.E. Peat, treasurer and comptroller of the San Joaquin Light and Power Corporation, testified that the company had incurred some open account indebtedness, issued notes and invested earnings in order to construct the extensions, additions and estimates against which no stocks or securities have been issued. He was unable, however, to definitely advise the Commission to what extent surplus earnings have been used to pay for expenditures on capital account. Section 52 of the Public Utilities Act contains, among others, a provision that subject to the approval of the Railroad Commission a public utility may issue stocks and stock certificates, and bonds, notes and other evidences of indebtedness, payable at periods of more than twelve months after the date thereof for the following purposes and no others, namely,-- for the acquisition of property, or for the construction, completion, extension or improvement of its

facilities, or for the improvement or maintenance of its service, or for the discharge or lawful refunding of its obligations, or for the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates, or bonds, notes or other evidences of indebtedness of such public utility, for any of the aforesaid purposes except maintenance or service and replacements, in cases where the applicant shall have kept its accounts and vouchers for such expenditures in such manner as to enable the Commission to ascertain the amount of moneys so expended and the purposes for which such expenditure was made. When a public utility asks permission to issue stock or securities to reimburse its treasury because of moneys actually expended from income, it is incumbent upon the utility to make a specific showing to what extent it has drawn upon its income to pay for such improvements. In the absence of such a showing, the proceeds obtained from the sale of stock or securities should be used to pay existing indebtedness.

Applicant in this proceeding reports that on February 28, 1919, it owed in the form of notes payable the sum of \$496,973, and in the form of accounts payable \$632,539.66, making a total of \$1,129,512.66. I recommend that applicant be given authority to use the proceeds from the sale of \$512,934.05 of debentures to pay in part its notes and accounts payable referred to in the petition herein.

The records show that applicant has begun actual construction work on its power plant No. 6 located on the main San Joaquin River. This plant, when completed, will have a generating capacity of 30,000 kilo watts. In Exhibit "1", applicant reports that it has expended for surveys in connection with power plant No. 6 the sum of \$3,845.95 and that its construction expenditures for the eight months ending December 31, 1919, will aggregate \$2,365,720.74, which applicant segregates as follows:--

Production Capital -Electric system-	\$1,555,621.51
Transmission Capital - Electric System	161,022.67
Sub-Station Capital - Electric System	108,590.57
Distribution Capital - Electric System	529,453.53
General Capital,	4,153.05
Gas, Water and Railway Capital,	<u>6,879.41</u>
Total,	\$2,365,720.74.

The \$1,555,621.51 includes \$1,481,227.54 which applicant estimates it will expend on its new power plant No. 6 during the eight months ending December 31, 1919.

I herewith submit the following form of Order.

O R D E R.

SAN JOAQUIN LIGHT AND POWER CORPORATION having applied to the Railroad Commission for permission to execute a supplemental debenture agreement and issue \$1,000,000 of Series "B" 6 per cent 10-year convertible gold debentures due May 1, 1929, a public hearing having been held and the 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 herein, and that the expenditures for 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 AND POWER CORPORATION be, and it is hereby, granted authority to execute a supplemental debenture trust agreement substantially in the same form as the supplemental debenture trust agreement filed with the Railroad Commission on May 24, 1919.

IT IS HEREBY FURTHER ORDERED that SAN JOAQUIN LIGHT AND POWER CORPORATION be, and it is hereby, granted authority to issue and sell at not less than 88 per cent of their face value and accrued interest, for cash, \$1,000,000 of Series "B" 6 per cent convertible gold debentures due May 1, 1929.

The authority herein granted is upon the following conditions, and not otherwise:

- 1.-- The proceeds from the sale of \$512,934.05 of debentures herein authorized to be issued may be used by applicant to pay notes and accounts payable referred to in the petition herein.
- 2.-- The proceeds from the sale of \$488,065.95 of debentures herein authorized to be issued, as well as any part of the proceeds from said \$512,934.05 of debentures not used to pay notes and accounts payable referred to in the petition herein, shall be used by applicant to pay in part for the construction of the improvements, extensions, betterments and additions set forth in applicant's Exhibit No. "1".
- 3.-- The approval herein given of said supplemental debenture trust agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental debenture trust agreement as to such other legal requirements to which said supplemental debenture trust agreement may be subject.
- 4.-- San Joaquin Light and Power Corporation shall keep such record of the issue and sale of the debentures herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.
- 5.-- The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public

Utilities Act.

6.-- The authority herein granted shall apply only to such debentures as may be issued on or before December 15, 1919.

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 10th day of June, 1919.

Edwin O. Edgerton

Frank R. Derby

H. W. Prudie

Commissioners.

Railroad Commission State of California
Fee \$ 1000⁰⁰/₁₀₀
JUN 12 1919
H. W. Prudie
Assistant Secretary