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Decision No. 1857

ORIGINAL

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 ) Application Number 5207.  
to issue 35,000 shares of its prior )  
preferred stock. )

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Murray Bourne, for applicant.

LOVELAND, Commissioner.

O P I N I O N.

SAN JOAQUIN LIGHT & POWER CORPORATION asks permission to issue 35,000 shares (\$3,500,000.00) of its 7% prior preferred stock.

Applicant in Exhibit No. 1 reports that on November 30, 1919, it had an authorized stock issue of \$25,000,000.00 divided into \$10,000,000.00 of 6 per cent cumulative preferred and \$15,000,000.00 of common. Of the preferred, \$6,500,000.00, and of the common, \$11,000,000.00, or a total of \$17,500,000.00, was outstanding.

The record shows that applicant's stockholders, at a meeting held December 23, 1919, authorized the amendment of applicant's Articles of Incorporation, so as to provide for a total stock issue of \$25,000,000.00, divided into \$7,500,000.00 of 7 per cent prior preferred, \$6,500,000.00 of 6 per cent preferred, and \$11,000,000.00 of common. The effect of the amendment is a re-classification of

applicant's stock. The unissued \$3,500,000.00 of 6 per cent preferred and \$4,000,000.00 of common, is changed into \$7,500,000.00 of 7 per cent prior preferred.

During the past few years, applicant has financed its construction through the sale of its first and refunding mortgage bonds and 10-year debentures. Representatives of applicant recognize that a public utility should obtain part of the moneys it invests in plant in some manner other than through loans, and they have therefore suggested to the stockholders a re-classification of the stock, with the hope that it will be possible for applicant to hereafter finance its construction through the sale of its first and refunding mortgage bonds and its prior preferred stock. It is not the intention of applicant to issue any more debentures.

While applicant asks permission to issue the 7 per cent prior preferred stock at not less than 94 net to the company, Mr. A. E. Peat, treasurer and comptroller of the San Joaquin Light & Power Corporation, testified that the company would sell the stock at the highest price obtainable.

In Exhibit No. 1, prepared by Mr. G.R. Kenny, applicant's valuation engineer, applicant reports \$5,205,580.11 of expenditures incurred, or to be incurred, prior to December 31, 1920, for the financing of which the Railroad Commission has not authorized the issue of any stocks or securities. As stated in former decisions, applicant is now engaged in building a 45,000 horse power hydro-electric generating plant on the San Joaquin River. The record herein shows that applicant is also engaged in installing at an estimated cost of \$950,000.00 a new steam unit with a generating capacity of 12,500 kilowatts at its Bakersfield plant and that it intends to proceed during 1920 with its Kings River development, for which it estimates an expenditure of \$2,500,000.00 during this year. Applicant's Exhibit No. 1 further contains a statement of expenditures,

incurred or to be incurred, to take care of its normal increase in business, and construct transmission and distribution lines and substations to enable it to give better service.

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 permission to issue \$3,500,000.00 of its 7% prior preferred stock, 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 in the order, 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 & POWER CORPORATION be, and it is hereby, granted authority to issue \$3,500,000.00 of its 7% prior preferred stock.

The authority herein granted is subject to the following conditions:

- 1.--- The stock herein authorized to be issued shall be sold by San Joaquin Light & Power Corporation, for cash, at not less than \$94.00 per share net.
- 2.--- The proceeds from the sale of the stock herein authorized shall be used by San Joaquin Light & Power Corporation to pay in part the construction expenditures referred to in its Exhibit No. 1 on file in this proceeding.
- 3.--- San Joaquin Light & Power Corporation shall keep such record of the issue and sale of the stock 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.

4.— The authority herein granted will apply only to such stock as may be issued on or before December 31, 1920.

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, 1920.

Edwin O. Ely

H. S. Loveland

Frank R. Davis

H. B. Brundage

Commissioners.