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ORIGINAL

Decision No. 8362.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)	
ONTARIO POWER COMPANY)	
for an order authorizing the issue)	<u>Application No. 6257.</u>
of 7 per cent preferred stock.)	

Glenn D. Smith for applicant.

LOVELAND, Commissioner.

O P I N I O N.

ONTARIO POWER COMPANY asks permission to issue at par \$38,000.00 of its 7 per cent cumulative preferred stock and to use the proceeds to reimburse its treasury on account of earnings expended for plant extensions, additions and betterments.

The company reports its actual expenditures between February 28 and October 15, 1920 for permanent improvements and additions, as follows:

Pole line construction, line materials and supplies, ..	\$40,008.85
Meters,	4,446.56
Transformers,	28,987.88
Office and Substation equipment,	10,806.01
Total Expenditures,	<u>\$84,249.30</u>
Less 20% of cost which applicant intends to pay out of income,	16,850.85
Balance,	<u>\$67,398.45</u>
Purchase from Southern California Edison Company of Base Line Road pole line, authorized by Decision No. 8202, dated October 5, 1920,	12,500.00
Total,	<u>\$79,898.45</u>
Less expenditures paid through issue of stock authorized by Decision No. 7376, dated April 5, 1920,	41,864.79
Leaving expenditures unprovided for,	<u>\$38,033.66</u>

Applicant reports that it has recently increased its capital stock from \$500,000.00 to \$1,500,000.00, divided into \$500,000.00 of 7 per cent cumulative preferred and \$900,000.00 of common stock and that \$74,000 of preferred and \$380,000 of common were outstanding on October 1, 1920. After paying operating expenses, including taxes and \$15,000 for depreciation and paying bond interest and other fixed charges, applicant reports that its net income for 1917 amounted to \$43,783.95, for 1918 \$38,974.72 and for 1919 \$31,459.73. During 1917, the company paid out of net income dividends amounting to \$15,200, in 1918 \$17,100, while no dividends were paid in 1919. The accumulated surplus of the company increased from \$43,783.95 on December 31, 1916 to \$108,875.52 on December 31, 1919, the increase being due ^{in part} to the non-payment of dividends in 1919. It clearly appears from the testimony of Glenn D. Smith, applicant's general manager, and from reports filed with the Commission, that applicant has invested in plant extensions, additions and betterments, earnings in excess of \$38,000.00.

Petitioner's general manager testified that in his opinion no difficulty would be encountered in disposing of the \$38,000.00 of stock at par.

I herewith submit the following form of Order:

O R D E R.

ONTARIO POWER COMPANY having applied to the Railroad Commission for permission to issue at par \$38,000.00 of its 7 per cent cumulative 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 this order, and that such expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that ONTARIO POWER COMPANY be, and it is hereby, authorized to issue and sell, for cash, on or before April 1, 1921, at not less than par, \$38,000.00 of its 7 per cent cumulative preferred stock and use the proceeds from the sale of such stock to reimburse its treasury because of earnings expended for plant extensions, additions and betterments reported in this application, PROVIDED:

That, Ontario Power Company will 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 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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 November, 1920.

Edwin O. Edgerton
H. D. Loveland
Frank R. Dolan
H. R. Brundage
Dwight M. Mason
Commissioners.