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ORIGINAL

Decision No. 8916.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 6572.

Murray Bourne for applicant.

MARTIN, Commissioner.

O P I N I O N.

SAN JOAQUIN LIGHT AND POWER CORPORATION asks permission to execute a unifying and refunding mortgage, to issue and sell \$7,000,000.00 face value of unifying and refunding mortgage bonds and to issue and deposit with the trustee under the unifying and refunding mortgage \$5,000,000.00 face value of its first and refunding mortgage Series "C" 6 per cent bonds.

On August 1, 1910, applicant executed a mortgage to secure the payment of \$25,000,000.00 of first and refunding mortgage bonds. Of these bonds \$18,603,000.00 have been issued or are reserved to retire underlying bonds, leaving only \$6,397,000.00 face value of bonds available for sale at this time. Mr. A.E. Peat, treasurer and controller of San Joaquin Light and Power Corporation, testified that the money needed by applicant for constructing new plants and additions and betterments during the current year is in excess of any possible amount that might be realized from the sale of \$6,397,000.00 of first and refunding mortgage bonds. Rather than sell the first and refunding mortgage bonds to meet present needs and thereafter execute a unifying

and refunding mortgage, applicant has concluded to execute now a new mortgage and not sell any more of its first and refunding mortgage bonds. The new mortgage is to be a direct lien, subject to existing liens, on all of the properties of San Joaquin Light and Power Corporation now owned or hereafter acquired. The bonds to be issued under the new mortgage are to be further secured by the deposit with the trustee under the new mortgage of the unissued first and refunding mortgage bonds, if the issue and deposit of such bonds is authorized by the Railroad Commission. While no copy of the new mortgage has been filed, it is agreed that it shall contain a provision permitting the issue of bonds at par for 75 per cent of the cost of extensions, betterments or additions to properties, when the net earnings of the company applicable to interest on all bonds outstanding and those for which certification may be requested, for twelve months out of the preceding fourteen months, shall have been not less than one and three quarter times the amount of such interest. A final order can be made in this proceeding only after there has been filed with the Commission, in satisfactory form, a complete copy of the new mortgage.

Applicant has outstanding \$2,000,000.00 of 6 per cent debentures. These were issued under an agreement which requires the company to pay the debentures when it places a new mortgage upon its properties. To enable it to redeem the debentures, applicant asks permission to sell \$2,000,000.00 of 7 per cent unifying and refunding bonds. Of the \$2,000,000.00 of bonds, \$400,000.00 are to mature annually in one, two, three, four and five years. The \$2,000,000.00 of bonds have been sold at 94½ and accrued interest. These bonds cannot and should not be refunded through the issue of new bonds secured by the unifying and refunding mortgage. They must be paid out of the company's surplus earnings or through moneys obtained from the sale of stock or some form of security other than the unifying and refunding mortgage bonds.

In Exhibit "A", applicant reports actual or estimated expenditures for plant extensions, additions and betterments amounting to \$7,023,751.01, which have not been financed through the issue of either bonds or stock. Applicant during 1920 completed a 50,000 H.P. hydroelectric plant (Kerckhoff plant) on the San Joaquin River and installed a 12,500 K.V.A. unit at its Bakersfield steam electric generating plant. Applicant is now engaged in building a 12,500 K.V.A. steam electric generating plant (Midway steam plant) near Buttonwillow at an estimated cost of \$1,654,850.00 and rebuilding and enlarging its Kern Canyon hydroelectric plant at a net estimated cost of \$857,000.00. The two amounts are included in the \$7,023,751.01. The \$7,023,751.01 also includes \$1,327,034.15, which applicant estimates it must expend during the current year for transmission, distribution and general construction made necessary by the normal increase of its business. Applicant is not in a position to furnish the Commission with specific information as to the purposes for which it will expend the \$1,327,034.15. It is expected that such money, as well as other expenditures herein authorized, will be used for the purpose of acquiring or constructing only such properties as will constitute a part of fixed capital as defined by the Commission's classification of accounts for electric corporations.

To finance in part the \$7,023,751.01 of expenditures, applicant asks permission to issue and sell \$5,000,000.00 face value of 7 per cent 30-year unifying and refunding mortgage bonds. These bonds have been sold by applicant, subject to their issue being authorized by the Railroad Commission, at 92-1/2 and accrued interest.

Applicant reports as of December 31, 1920, \$11,000,000.00 of common, \$6,500,000.00 of 6 per cent preferred and \$1,240,000.00 of 7 per cent prior preferred stock outstanding. Applicant's funded indebtedness on December 31, 1920 in the hands of the public is reported at \$20,168,000.00. In addition, applicant on December 31, 1920,

reports \$2,332,681.34 of accounts and \$2,258,997.18 of notes payable. Only to the extent that this current indebtedness is offset by expenditures for plant extensions, additions and betterments will applicant be permitted to use the proceeds from the sale of bonds to pay current indebtedness.

For 1920, applicant reports gross earnings of \$4,340,905.71. After paying expenses including taxes, applicant reports available for depreciation, interest, amortization of discount, sinking fund, dividends and surplus, the amount of \$2,373,449.42. Of this amount, applicant used for depreciation, interest, amortization and sinking fund \$1,364,071.14, leaving for dividends and surplus the sum of \$1,009,378.23.

By Decision No. 8568, the Commission authorized applicant to deposit \$2,375,000.00 of first and refunding mortgage bonds to secure short time loans. This authorization was granted with the understanding that the proceeds from the sale of the bonds herein permitted will be used to pay the loans. This the Commission expects to be done. Upon the payment of such loans, the \$2,375,000.00 of first and refunding mortgage bonds shall be delivered to the trustee under the unifying and refunding mortgage. The \$2,375,000.00 of bonds are a part of the \$5,000,000.00 of first and refunding mortgage bonds which applicant asks permission to deposit with the trustee under the unifying and refunding mortgage. The issue and deposit of \$2,625,000 of such bonds may be covered by supplemental order after applicant has made a satisfactory showing justifying the issue of the bonds.

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 new mortgage, issue and deposit with the trustee under the new mortgage \$5,000,000.00 of first and refunding mortgage bonds and to sell \$7,000,000.00 of unifying and refunding mortgage bonds, a public 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 the issue and sale of the \$7,000,000.00 of bonds is reasonably required for the purpose or purposes specified in this Order, and that the expenditures for such purpose or purposes herein specified 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, authorized to issue \$7,000,000.00 face value of 7 per cent unifying and refunding mortgage bonds.

IT IS HEREBY FURTHER ORDERED, that SAN JOAQUIN LIGHT AND POWER CORPORATION be, and it is hereby, authorized to deposit with the trustee under the proposed unifying and refunding mortgage, if the execution of such mortgage is hereafter authorized by the Commission, the \$2,375,000.00 of first and refunding mortgage bonds, the issue of which was authorized by the Commission in Decision No. 8668. The authority to issue and deposit the remaining \$2,625,000.00 of first and refunding mortgage bonds, referred to in this application, will be held in abeyance until such time as applicant has made a satisfactory showing justifying the issue of such bonds.

The authority herein granted is subject to the following conditions:

- 1.---\$2,000,000.00 face value of the unifying and refunding mortgage bonds herein authorized to be issued shall be sold by applicant, for cash, at not less than 94½ per cent and accrued interest.

- 2.--\$5,000,000.00 of unifying and refunding mortgage bonds herein authorized to be issued shall be sold by applicant, for cash, at not less than 92½ per cent and accrued interest.
- 3.--All proceeds realized from the sale of the bonds, or interim certificates, shall be deposited with the trustee and not expended until the Commission has authorized applicant to execute a unifying and refunding mortgage.
- 4.--Upon receiving authority from the Commission to execute a unifying and refunding mortgage, the proceeds from the sale of the bonds herein authorized to be issued, shall be used by applicant for the following purposes:
- (a).--To pay the loans secured by the \$2,375,000.00 of first and refunding mortgage bonds, the issue of which was authorized by Decision No. 8668.
  - (b).--To pay in part the \$2,000,000.00 of debentures referred to in the foregoing opinion, the proceeds permitted to be used for this purpose being limited to the proceeds realized from the sale of the \$2,000,000.00 of serial bonds at 94-1/2 and accrued interest.
  - (c).-- The remainder of the proceeds shall be used to finance in part the expenditures reported in Exhibit "B" filed in this application, provided the expenditures so financed represent fixed capital, as defined by the Commission in its classification of accounts for electric corporations.
- 5.--San Joaquin Light and Power Corporation shall keep such record of the issue, deposit and sale of the bonds 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.
- 6.--The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7.--The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before November 15, 1921.

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 9<sup>th</sup> day of March, 1921.

Railroad Commission State of California  
*John H. Johnson*  
MAR 10 1921  
*Alvin Johnson*

*Frank D. ...*  
*H. H. ...*  
*H. B. ...*  
*Erving ...*  
*Charles ...*

Commissioners.