

ES

Decision No. 9834

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

---000---

In the Matter of the Application	)	
ONTARIO POWER COMPANY	)	
for an order authorizing the issue	)	<u>Application No. 7271</u>
of 7 per cent secured notes and	)	
7 per cent preferred stock.	)	

-----

Glenn D. Smith for Applicant.

BY THE COMMISSION:

O P I N I O N

ONTARIO POWER COMPANY asks permission to issue \$44,500.00 face value of 7 per cent. serial secured notes and \$20,000.00 par value of 7 per cent. preferred stock and use the proceeds to pay the cost of constructing a new hydroelectric generating plant and the installation of additions and betterments. It intends to sell the notes at 99 per cent. of their face value and accrued interest and the stock at par.

A hearing was had on this application before Examiner Williams on December 1st at Los Angeles.

Ontario Power Company has an authorized stock issue of \$1,500,000.00 divided into \$900,000.00 of common and \$600,000.00 of 7 per cent. preferred. As of September 30, 1921, applicant reports \$380,000.00 of common and \$188,720.00 of preferred stock outstanding. As of the same date, applicant reports outstanding \$280,000.00 of 5 per cent. bonds due in 1932; \$72,000.00 of 7 per cent. unsecured serial notes and \$15,500.00 of 7 per cent. secured serial notes.

Applicant's current liabilities on September 30th were less than its current assets.

In its annual reports filed with the Railroad Commission for the three years ending December 31, 1920, applicant shows its income and expenditures as follows:-

	1918	1919	1920
Operating revenues	\$132,186.10	\$159,360.52	\$204,277.04
Operating expenses	79,049.14	112,942.06	124,599.54
Net operating revenues	53,136.96	46,418.46	79,677.50
Non-Operating revenues	1,127.26	1,271.01	1,726.61
Gross corporate income	54,264.22	47,689.47	81,404.11
<b>Deductions:</b>			
Uncollectible bills	478.07	18.06	281.40
Interest on funded debt	14,596.20	15,978.34	19,670.00
Miscellaneous	215.23	233.34	538.51
Total Deductions	15,289.50	16,229.74	20,584.91
Available for Dividends, etc.	\$38,974.72	\$31,459.73	\$60,819.20

Glenn D. Smith, applicant's general manager, testified that applicant's net earnings for 1921 will be in excess of those for 1920.

The Railroad Commission by Decision No. 9274, dated July 27, 1921, in Application No. 7024, authorized applicant to execute a deed of trust to secure an issue of \$60,000.00 of 7 per cent. serial notes payable in equal annual installments of \$4,000. per annum from October 1st of each of the years 1922 to 1936, inclusive. The Commission by Decision No. 9274 also authorized applicant to issue \$15,500.00 of the notes to acquire "Lot 5, Block 4, and Lots 1, 2 and 18, Block 20, San Antonio Heights Tract; the steel pipe line from the north part of Lot 8, Block 36, to the south line of Lot 1, Block 20, San Antonio Heights Tract, and the power rights formerly owned by Pacific Electric Company."

Applicant now intends to issue the remaining \$44,500.00 of 7 per cent. secured notes for the purpose of building

a hydroelectric generating station on Lot 5, Block 4, of San Antonio Heights Tract. The cost of the power plant and appurtenances is estimated at \$44,279.00. The generating station applicant reports -"will be 25 x 30 feet, one-story, concrete construction, with concrete roof, and the equipment will be a 500 H.P. Pelton Impulse Water Wheel, with direct-connected 400 K.V.A. generator and exciter. The generating station will be a combination of remote and automatic control." Applicant's general manager estimated the annual output of the proposed station at 2,250,000 kilo watt hours. He reports that the output of applicant's plants is at present inadequate to meet the demands of its consumers and that it is necessary for applicant to purchase approximately 5,000,000 kilo watt hours of electrical energy from the Southern California Edison Company. He further reports that the cost of producing electrical energy by the new plant will be substantially less than the cost of purchasing energy from the Edison Company.

Applicant reports in its Exhibit "A" that during June, July, August and September, 1921, it expended for extensions, addition and betterments \$23,161.75. On account of these expenditures, it asks permission to use some of the proceeds obtained from the sale of its preferred stock and notes to reimburse its treasury.

The records of the Commission show that applicant under date of August 1, 1921, paid a fee on the \$60,000.00 of 7 per cent. serial notes, which may be issued under the deed of trust, which the Commission by Decision No. 9274 authorized applicant to execute. No additional fee need therefore be paid on the notes herein authorized to be issued.

O R D E R

ONTARIO POWER COMPANY having applied to the Railroad Commission for permission to issue \$44,500.00 face value of notes

and \$20,000.00 par value of 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 by applicant and that the expenditures herein authorized 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 \$44,500.00 face value of its 7 per cent. serial secured notes and \$20,000.00 par value of its 7 per cent. preferred stock.

The authority herein granted is subject to the following conditions:-

1.--- The notes herein authorized to be issued shall be sold by applicant, for cash, at not less than 99 per cent. of their face value and accrued interest and the stock herein authorized to be issued shall be sold by applicant, for cash, at not less than its par value. Approximately \$44,279.00 of the proceeds realized from the sale of the notes and stock herein authorized to be issued may be used by applicant to pay the cost of constructing the hydroelectric plant described in this application. The proceeds not used for the purpose of constructing said hydroelectric plant may be used by applicant to reimburse its treasury in whole or in part on account of earnings expended to pay the cost of extensions, additions and betterments installed during June, July, August and September, 1921, and described in Exhibit "A", attached hereto.

2.---Ontario Power Company shall keep such record of the issue and sale of the notes and 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.

3.---The authority herein granted will apply only to such notes and stock as may be issued, sold and delivered on or before March 1, 1922.

Dated at San Francisco, California, this 3<sup>d</sup> day of December, 1921.

H. B. Underwood  
H. D. Loveland  
Osborne Martin  
Robert H. Howell  
J. J. Jones  
Commissioners.