

ES

Decision No. 7989 -

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

In the Matter of the Application of  
SAN JOAQUIN LIGHT AND POWER CORPORATION )  
to issue and sell 50,000 shares of its )  
7 per cent. cumulative prior preferred )  
stock. )

Application No. 7465

Murray Bourne for Applicant.

BY THE COMMISSION:

O P I N I O N

SAN JOAQUIN LIGHT AND POWER CORPORATION asks permission to issue and sell 50,000 shares (\$5,000,000.00 par value) of its 7 per cent. cumulative prior preferred stock and use the proceeds to reimburse its treasury on account of income expended for capital purposes, to pay indebtedness and the cost of extensions, additions and betterments to its plants and properties and provide itself with additional working capital. The Commission is also asked to approve an agreement between Cyrus Peirce & Company and applicant covering the sale of the stock.

A hearing was had on this application before Examiner Gordon at San Francisco on January 11th.

Applicant has an authorized stock issue of \$150,000,000 divided into \$75,000,000.00 of 7 per cent. prior preferred, \$25,000,000.00 of 6 per cent. preferred and \$50,000,000.00 of common. As of November 30, 1921, applicant reports \$19,396,000.00 of stock outstanding. The outstanding stock consists of \$1,896,000.00 of 7 per cent. prior preferred, \$6,500,000.00 of 6 per cent. preferred and \$11,000,000.00 of common.

In Exhibit "C" applicant reports \$6,509,041.95 of actual or estimated construction expenditures and liabilities which it believes must be financed on or before December 31, 1922. The \$6,509,041.95 is in general composed of the following items:-

Unifying and refunding 7 per cent. bonds due March 1, 1922, .....	\$ 400,000.00
Construction expenditures to November 30, 1921, which have not been financed through the issue of stock or bonds, .....	1,539,101.18
Amount necessary to complete estimates reported in November statement, .....	608,240.77
Estimated cost of Electric Capital to be installed during 1922 and not included in November statement:	
(a) - Production capital, .....	\$144,700.00
(b) - Transmission capital, ...	482,800.00
(c) - Distribution capital, ...	2,393,700.00
(d) - General, .....	940,500.00
	<u>3,961,700.00</u>
	\$ 6,509,041.95

In its original petition applicant asked permission to use part of the proceeds to finance the foregoing construction expenditures and pay the \$400,000.00 of bonds due March 1, 1922. At the hearing applicant amended its petition and now asks permission to use \$1,000,000.00 of the proceeds obtained from the sale of its stock to reimburse its treasury on account of the increased investment in current assets. As of November 30, 1921, applicant reported current assets amounting to \$3,250,521.74 as compared with \$1,454,372.13 on December 31, 1916, the increase being \$1,796,149.61. It has not been possible since the hearing to analyze applicant's financial statements to determine whether applicant has need for \$1,000,000.00 of additional working capital. The granting of that portion of the application will therefore be held in abeyance temporarily. The order herein will permit applicant to use the proceeds from the sale of \$400,000.00 of stock to pay the \$400,000.00 of bonds due March 1, 1922, and the proceeds from \$1,539,101.18 of stock to finance the cost of the additions and betterments installed on or before November 30, 1921 referred to in this application. The proceeds from the remainder of the stock may be expended only for such purposes as the

Railroad Commission may authorize.

The Commission, as said, is asked to approve an agreement between applicant and Cyrus Peirce & Company covering the sale of \$5,000,000.00 of stock and an option on additional stock. Under the agreement, Cyrus Peirce & Company agrees to purchase \$1,000,000.00 of stock during the month of January, 1922, at \$92.00 per share; \$1,000,000.00 during the month of February and \$1,000,000.00 during the month of March at the same price. The company also grants to Cyrus Peirce & Company an option to purchase \$1,000,000.00 of additional stock at \$93.00 per share and \$1,000,000.00 of stock at \$94.00 per share. If the company concludes to sell any additional stock during 1922, Cyrus Peirce & Company is given an option to purchase such stock at a minimum price of \$95.00 per share. The company in this application does not ask permission to issue more than \$5,000,000.00 of its 7 per cent. cumulative prior preferred stock and the authority herein granted will be confined to \$5,000,000.00. If applicant concludes to issue any additional stock during the current year pursuant to the agreement with Cyrus Peirce & Company, it will be required to file a new application covering the issue of such stock. At that time, the Commission will determine the price at which such stock may be sold by applicant. The testimony shows that the agreement between applicant and Cyrus Peirce & Company does not impose upon applicant any implied or express obligations other than those set forth in the agreement.

The order herein will authorize applicant to issue \$5,000,000.00 of stock subject to the terms and conditions of such order. There appears to be no necessity for the Commission to approve the agreement between applicant and Cyrus Peirce & Company.

O R D E R

SAN JOAQUIN LIGHT AND POWER CORPORATION having applied to the Railroad Commission for permission to issue and sell 50,000 shares of its 7 per cent. cumulative prior preferred stock, 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 such issue is reasonably required by applicant;

IT IS HEREBY ORDERED, that SAN JOAQUIN LIGHT AND POWER CORPORATION be, and it is hereby, authorized to issue 50,000 shares (\$5,000,000.00 par value) of its 7 per cent. cumulative prior preferred stock.

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

- 1.--Of the stock herein authorized to be issued 30,000 shares shall be sold by applicant for not less than \$92.00 per share; 10,000 shares for not less than \$93.00 per share, and 10,000 shares for not less than \$94.00 per share.
- 2.--Applicant may use the proceeds from the sale of \$1,539,101.18 of stock to finance its expenditures on capital account made on or before November 30, 1921, referred to in this application, and through such financing pay current indebtedness or reimburse its treasury. It may use the proceeds from the sale of \$400,000.00 of stock to pay \$400,000.00 of 7 per cent. unifying and refunding bonds due March 1, 1922. The remainder of the proceeds shall be deposited with a bank or banks, and may be expended only for such purposes as the Railroad Commission may hereafter authorize.
- 3.--San Joaquin Light and Power Corporation shall keep such record of the issue, sale and delivery 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.

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

DATED at San Francisco, California, this 12<sup>th</sup> day of January, 1922.

H. B. Brundage  
H. W. Loveland

W. F. Brister

Commissioners.