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ORIGINAL

Decision No. 12126.

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

In the Matter of the Application of)
SIERRA AND SAN FRANCISCO POWER COMPANY,)
a corporation, for authority to issue)
and sell, \$1,000,000.00 par value of)
its first mortgage five per cent. gold)
bonds due August 1, 1949.)

Application No. 8939.

Chickering and Gregory, by Warren Gregory, for applicant.
C.P. Cutton for Pacific Gas and Electric Company.

BY THE COMMISSION:

O P I N I O N.

SIERRA AND SAN FRANCISCO POWER COMPANY asks permission to issue and sell, at not less than 80 per cent. of their face value and accrued interest, \$1,000,000.00 of its first mortgage five per cent. gold bonds, due August 1, 1949, for the purpose of financing in part the cost of extensions, additions and betterments made prior to February 28, 1923, by Pacific Gas and Electric Company, the lessee of its properties.

A public hearing was held on May 21st by Examiner Fankhauser at San Francisco.

The properties of Sierra and San Francisco Power Company have since January 1, 1920 been operated by Pacific Gas and Electric Company under a lease agreement, by the terms of which the lessee agrees, among other things, to properly maintain and operate the properties, to pay the cost of such maintenance and operation, to pay all taxes and governmental charges, to pay

annually \$30,000.00 into a fund to amortize bond discount and expense -this amount to be increased if additional bonds are issued, to pay into a special depreciation fund an amount equal to two per cent. of the gross revenues obtained from the leased properties, to pay interest on the outstanding bonds, to pay a rental of \$50,000.00 during the first and second years of the lease, \$100,000.00 during the third year and \$150,000.00 annually during the remaining years of the lease, and in addition, to build all necessary extensions, additions and betterments to applicant's plants and properties. Expenditures thus made by the Pacific Gas and Electric Company for extensions, additions and betterments are carried in a special capital expenditure account and are to be financed from time to time by Sierra and San Francisco Power Company through the sale of its bonds. In the event that applicant is unable to sell its bonds, it is agreed that they will be pledged with the Pacific Gas and Electric Company to secure the payment of moneys expended by the lessee for extensions, additions and betterments.

There has been filed in this proceeding as "Exhibit B" a statement showing in some detail net construction expenditures of \$3,177,545.98. Of this amount, A.F. Hockenbeamer, second vice-president and treasurer of the Pacific Gas and Electric Company, testified that \$1,250,000.00 has heretofore been used to have bonds certified, leaving a balance of \$1,927,545.98, which has not been used as a basis for the issuance of any bonds, stock or other evidence of indebtedness. It is the intention of applicant to sell the bonds herein applied for to finance in part the reported expenditures and through such financing pay indebtedness due the Pacific Gas and Electric Company. If unable to sell them, it proposes to deliver them to the Pacific Gas and Electric Company

as collateral security in accordance with the terms of the lease agreement between the two companies.

O R D E R.

SIERRA AND SAN FRANCISCO POWER COMPANY having applied to the Railroad Commission for permission to issue and sell 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 such issue is reasonably required for the purpose or purposes specified herein, 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 SIERRA AND SAN FRANCISCO POWER COMPANY be, and it is hereby, authorized to issue and sell, at not less than 80 per cent. of their face value plus accrued interest, \$1,000,000.00 of its first mortgage five per cent. bonds due August 1, 1949, to finance in part the construction expenditures described in applicant's "Exhibit B" and pay indebtedness due Pacific Gas and Electric Company, or to deposit the bonds to secure the payment of indebtedness due the Pacific Gas and Electric Company, as provided in the lease of December 31, 1919.

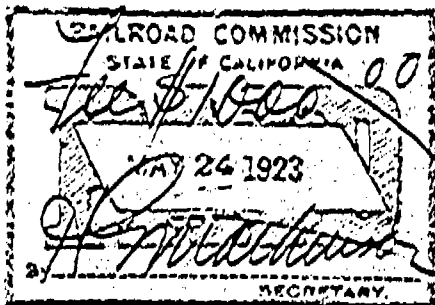
The authority herein granted is subject to the following conditions:

- 1.-----Applicant shall keep such record of the issue, sale and delivery 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.

2.-----The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$1,000.00, and will expire on December 15, 1923.

DATED at San Francisco, California, this 23rd day of May, 1923.



Chauncy

Dwight Matson
Egerton Shore

J. H. Whitney
Commissioners.