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Decision No. 14221.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE SOUTHERN SIERRAS POWER COMPANY,)
an electrical corporation, for an)
order authorizing the issue and sale)
of \$802,300.00 par value of first)
and refunding mortgage bonds.)

Application Number 10546

ORIGINAL

P. R. Ferguson, for Applicant.

BY THE COMMISSION:

O P I N I O N

The Southern Sierras Power Company asks permission to issue and sell at not less than 85 percent. of their face value and accrued interest \$802,300.00 of six percent. first and refunding mortgage bonds due January 1, 1965 to pay indebtedness, and to reimburse its treasury on account of income expended for additions and betterments on or before August 31, 1924, or to pay for additions and betterments installed, or to be installed, subsequent to August 31, 1924. The Commission has not been furnished with a detailed statement of actual or estimated construction expenditures after August 31, 1924.

The company as of August 31, 1924 reports assets and liabilities as follows:-

ASSETS AND OTHER DEBITS

Investments:	
Fixed capital in service-electrical	\$10,788,466.97
Fixed capital under construction	1,720,641.02
Miscellaneous investments	562.00
Total investments	<u>12,509,669.99</u>
Current and accrued assets:	
Cash	153,988.44
Notes receivable	22,153.93
Accounts receivable	1,730,667.24
Marketable securities	1,158.28
Material and supplies	722,733.32
Jobbing account	5,017.17
Total current and accrued assets	<u>2,635,708.38</u>
Special funds:	
Sinking funds	<u>18,466.05</u>
Deferred debits:	
Unamortized debt discount and expense	970,316.70
Prepayments	70,347.89
Miscellaneous deferred debits	1,739.62
Total deferred debits	<u>1,042,404.21</u>
Special deposits(See offsetting liability):	
For paying bond coupons-First mortgage bonds	<u>3,600.00</u>
Discount on capital stock	4,995,350.00
Total assets and other debits	<u>\$21,205,198.63</u>

LIABILITIES AND OTHER CREDITS

Capital and long term liabilities:	
Capital stock	\$ 5,000,000.00
Long term debt	9,612,500.00
Advances from affiliated companies	500,000.00
Total capital and long term liabilities	<u>15,112,500.00</u>
Current and accrued liabilities:	
Notes payable /	10,137.00
Accounts payable	3,916,273.41
Consumers deposits	26,267.00
Miscellaneous current liabilities	1,069.20
Taxes accrued	25,935.73
Interest accrued	118,775.00
Total current and accrued liabilities	<u>4,098,457.34</u>
Deferred credits:	
Consumers advances for construction	151,311.72
Miscellaneous deferred credits	6,240.65
Total deferred credits	<u>157,552.37</u>
Reserves:	
Depreciation reserve	1,063,967.90
Casualty and insurance reserve	13,778.55
Operating reserves	96,098.59
Miscellaneous reserves	6,396.80
Total reserves	<u>1,180,241.84</u>
Appropriated surplus:	
Sinking fund reserves	<u>333,412.61</u>
Unappropriated surplus:	
Profit and loss balance	<u>319,434.47</u>
Liabilities offset by special deposits:	
Outstanding first mortgage bond coupons	3,600.00
Total liabilities and other credits	<u>\$21,205,198.63</u>

Of the accounts receivable, reported at \$1,730,657.24, approximately \$1,444,000.00 is due from subsidiary or affiliated companies, about \$964,308.00 being due from the Nevada California Electric Corporation, about \$228,824.00 from the Holton Interurban Railway Company, about \$114,238.00 from the Imperial Ice and Development Company, about \$61,129.00 from the Cain Irrigation Company and about \$74,101.00 from the Hillside Water Company.

Applicant reports accounts payable at \$3,916,273.41, of which approximately \$3,203,602.00 is payable to the Nevada California Power Company and \$370,569.00 to The Sierras Construction Company.

Applicant reports that from January 1, 1924 to August 31, 1924 it expended for plant extensions, additions and betterments the sum of \$943,972.65. The expenditures are reported in some detail in applicant's Exhibit "C". The company asks permission to issue \$802,300.00 face value of bonds, which represents 85 percent. of the company's reported construction expenditures.

It is of record that the bonds will be purchased by Nevada California Electric Corporation and will be used by that company as collateral to secure bonds issued under its first lien mortgage. As stated, applicant asks permission to issue its bonds at 85 percent. of their face value and accrued interest. Issued at this price, the effective interest rate would be in excess of seven percent. I believe that The Southern Sierras Power Company should be able to market its bonds on a better basis than 85. The order herein will permit the company to issue the \$802,300.00 face value of bonds and sell the same for not less than 88 and accrued interest. The testimony shows that the proceeds realized from the sale of the bonds will be placed to the credit of The Southern Sierras Power Company by the Nevada California Electric Corporation and that until such time as The Southern Sierras Power Company actually withdraws the

moneys, it will receive on the proceeds, interest at the rate of eight percent. per^{annum}. This is the same rate of interest which The Southern Sierras Power Company pays for money advanced by the Nevada California Electric Corporation or any of its affiliated companies. It is of record that a substantial amount of proceeds realized from the sale of the bonds will be immediately applied to the payment of indebtedness incurred in connection with the construction of additions and betterments since January 1, 1924.

O R D E R

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue \$802,300.00 face value of its first and refunding mortgage bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such bonds 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 and that this application should be granted as herein provided, therefore,

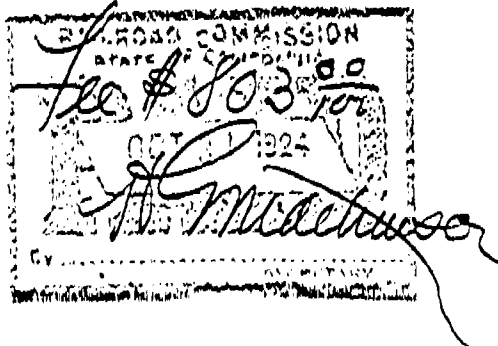
IT IS HEREBY ORDERED as follows:-

1. The Southern Sierras Power Company may issue and sell at not less than 88 percent. of their face value and accrued interest on or before December 15, 1924, \$802,300.00 of six percent. first and refunding mortgage bonds due January 1, 1965 and use the proceeds to pay indebtedness incurred in connection with the construction of the extensions, additions and betterments described in Exhibit "C" filed in this proceeding or to reimburse its treasury on account of earnings used to pay for

such extensions, additions and betterments, or for such other purposes as the Railroad Commission will hereafter authorize by a supplemental order or orders.

2. The Southern Power Company may finance through the issue of the bonds herein authorized only such expenditures as are properly chargeable to fixed capital account under the Uniform System of Accounts prescribed or adopted by the Railroad Commission.
3. The Southern Sierras Power Company 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.
4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee amounts to \$803.00.

DATED at San Francisco, California, this 29th day of October, 1924.



C. Seavey
H. B. Brundage
Dwight Martin

Commissioners.