

Decision No. 19596

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 \$1,218,900.00 par value, )  
first and refunding mortgage bonds.)

**ORIGINAL**

Application No. 13855.

P. R. Ferguson, for applicant.

BY THE COMMISSION:

O P I N I O N

The Southern Sierras Power Company has applied to the Railroad Commission for an order authorizing it to issue and sell its first and refunding mortgage bonds in the face amount of \$1,218,900.00 at a price of not less than 88 percent of face value, and to use the proceeds for the acquisition of property, for the construction, completion, extension or improvement of its facilities, for the improvement or betterment of its service, for the discharge or lawful refunding of outstanding obligations and for the purpose of reimbursing it for moneys actually expended from income or for other moneys actually expended from its treasury, not secured by, or obtained from, the issue of stock or stock certificates, bonds, notes or other evidence of indebtedness.

In making its application the company has filed a financial statement which shows its assets and liabilities, as of April 30, 1927, as follows:-

ASSETS:

Investment in Fixed Capital - - - - -		\$15,636,195.55
Current Assets:		
Cash - - - - -	\$92,792.14	
Notes receivable - - - - -	15,314.90	
Accounts receivable - - - - -	491,304.94	
Materials and supplies - - - - -	776,196.39	
Other - - - - -	<u>7,772.64</u>	1,383,381.01
Sinking funds - - - - -		170,165.00
Unamortized debt discount and expense - - - - -		984,882.26
Prepayments - - - - -		56,469.91
Miscellaneous deferred debits - - - - -		101,983.35
Discount on capital stock - - - - -		<u>4,995,350.00</u>
	Total Assets - - - - -	<u>\$23,328,427.08</u>

LIABILITIES:

Capital stock - common - - - - -		\$5,000,000.00
Bonded debt - - - - -		11,172,000.00
Current assets:		
Notes payable - - - - -	\$ 4,185.00	
Accounts payable - - - - -	4,142,646.31	
Consumers' deposits - - - - -	30,724.52	
Accruals - - - - -	250,938.39	
Miscellaneous - - - - -	<u>1,591.74</u>	4,430,085.96
Consumers' advances for construction - - - - -		137,276.46
Miscellaneous deferred credits - - - - -		1,016.02
Reserves:-		
Depreciation - - - - -	\$1,537,598.43	
Casualty and Insurance - - - - -	10,050.56	
Operating and Miscellaneous - - - - -	132,300.33	
Sinking fund - - - - -	<u>472,950.00</u>	2,152,899.42
Liability in connection with bonds called for redemption - - - - -		169,575.00
Unappropriated surplus - - - - -		<u>265,574.22</u>
	Total Liabilities - - - - -	<u>\$23,328,427.08</u>

To support the present request to issue \$1,218,900.00 of additional bonds, applicant reports that during the period from January 1, 1926 to December 31, 1926, inclusive, it expended for additions to its assets and properties the sum of \$1,718,327.37 as shown in detail in its Exhibit "B". From this amount it deducts

\$284,264.37, representing retirements, leaving net additions of \$1,434,063.00, against which applicant reports no stock or bonds have been issued.

The company now asks permission to issue bonds up to 85 percent of the total net additions and to use the proceeds for the purposes indicated above. The testimony herein indicates, however, that substantially all the proceeds will be used to pay indebtedness due Nevada California Electric Corporation, which is reported at \$3,576,876.44, exclusive of accrued interest, although a portion of the proceeds may be used for one or more of the other purposes specified. We have considered this request and believe that the amount of proceeds that may be used to reimburse the treasury should be limited to the amount of applicants unappropriated corporate surplus.

The \$1,218,900.00 of bonds are to be issued under the terms of its first and refunding mortgage. This mortgage is of the open-end type and secures the payment of six percent bonds, dated as of January 1, 1915, and due January 1, 1965. Although the bonds are designated first and refunding mortgage bonds applicant has retired the underlying issues so that the bonds, in effect, are a first lien against the company's properties.

Applicant asks permission to sell the \$1,218,900.00 of bonds at not less than 88 percent of their par value and accrued interest. At the minimum price requested the effective interest rate on the bonds will be about 6.90 percent. We will not authorize the issue of the bonds on such a basis. The price at which bonds of other companies engaged in the electric light and power business in California are selling in the open market, is common knowledge. The outstanding bonds of applicant, however,

are all owned by Nevada California Electric Corporation. The additional bonds which applicant proposes to issue will, it is said, also be purchased by the same company. We believe that such company should pay for the bonds of applicant a price which we feel applicant could obtain in the open market. After considering the value of applicant's properties, its earnings and the prices which other public utilities of California are receiving for bonds, we have concluded that applicant should sell its bonds on a five and three quarter percent basis or better.

#### ORDER

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue 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 through such issue is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that The Southern Sierras Power Company be, and it hereby is, authorized to issue and sell, on or before December 31, 1927, on a basis of five and three fourth (5-3/4%) percent or better, plus accrued interest, \$1,218,900.00 of its first and refunding mortgage bonds, and to use the proceeds (other than accrued interest which may be used for general corporate purposes) for the purpose of paying outstanding indebtedness, of reimbursing its treasury on account of surplus earnings invested in properties

and of financing the cost of the acquisition of property and of the construction, completion, extension or improvement of its facilities and for the improvement or betterment of its service.

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

1. Only such expenditures as are properly chargeable to fixed capital accounts as defined by the Uniform System of Accounts prescribed by this Commission may be financed with proceeds obtained from the sale of the bonds herein authorized to be issued.
2. The amount of proceeds to be used to reimburse the treasury, under the authority herein granted, shall not exceed the sum of \$265,574.22.
3. Applicant shall keep such record of the issue 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, insofar as applicable, is made a part of this order.

4. The authority herein granted shall become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Thousand One Hundred and Nine Dollars and Fifty Cents (\$1,109.50).

DATED at San Francisco, California, this 8<sup>th</sup> day of July, 1927.

Ernest Deady

Chas. J. O'Shea  
Leon A. White  
Thos. J. Powell

Commissioners.

