

Decision No. 21217.**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA PUBLIC SERVICE COMPANY,)
 a corporation, (formerly Peoples Cal-)
 ifornia Hydro-Electric Corporation)) Application No. 15646
 for authority to issue stocks and)
 bonds.)

Orrick, Palmer & Dahlquist,
 by T. W. Dahlquist, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission is asked to make its order authorizing California Public Service Company to issue, at par, \$76,000.00 of its first mortgage five and one half percent gold bonds, Series of 1941, and \$58,000.00 of its common capital stock, for the purpose of financing the cost of additions and betterments to its plants and properties.

It appears that applicant was organized under the laws of the State of California on or about June 12, 1926, under the name of Peoples California Hydro-Electric Corporation, but that subsequently by a decree of the Superior Court of the State of California, in and for the City and County of San Francisco, duly entered on January 16, 1929, its name was changed to California Public Service Company. The corporation has an authorized capital stock of \$200,000., divided into 2000 shares of the par value of \$100.00 each, all common, and an authorized bonded indebtedness of \$1,000,000.00 of bonds, issuable in series, of which

the initial series is designated First Mortgage 5-1/2 percent gold bonds, Series of 1941.

Heretofore, under authority granted by this Commission, applicant has issued \$341,400.00 of securities, consisting of \$128,400.00 of stock and \$213,000.00 of the initial series of bonds, and has acquired and is operating plants and properties used in supplying electric energy in and about Fort Bragg, Mendocino and Alturas, in California, and in and about Lakeview, in Oregon. For the year ending December 31, 1928, its first full year of operations of all its properties, it reports gross revenues of \$140,278.59, operating expenses and taxes of \$98,860.96 and net operating income of \$41,417.63. It reports service to 2577 consumers at the close of the year.

In now making this request for permission to issue additional stock and bonds, applicant has filed, as its Exhibit "A", a financial statement showing, among other things, its assets and liabilities as follows:-

ASSETS:

Fixed capital:		
Property and plants acquired	\$341,400.00	
Additions and betterments	<u>134,047.95</u>	\$475,447.95
Current assets:		
Cash	8,548.99	
Accounts receivable	16,661.16	
Materials and supplies	11,208.16	
Prepayments	<u>240.25</u>	36,658.56
Special deposits		2,645.47
Miscellaneous items		3,182.93
Total assets.....		<u>\$517,934.91</u>

LIABILITIES:

Capital stock		\$128,400.00
Long term debt		213,000.00
Accounts payable		11,056.87
Accruals		8,086.09
Consumers' and other deposits		2,600.59
Reserves		7,499.38
Due affiliated companies		98,922.10
Surplus:		
Capital	\$3,454.22	
Earned	<u>44,915.66</u>	48,369.88
Total liabilities.....		<u>\$517,934.91</u>

The company reports, and the foregoing balance sheet indicates, that up to March 31, 1929, it has made capital additions and betterments to its properties, used and useful in its public utility operations, in the aggregate amount of \$134,047.95. These expenditures are described somewhat fully in Exhibit "B" attached to the applications, and in the oral testimony given in this proceeding. It clearly appears that such expenditures were necessary to increase the production of electric energy and to improve the service in all of the localities served. The record in this connection shows that of the total amount, about \$15,000.00 was expended in and about Fort Bragg and Mendocino, \$56,000.00 in and about Alturas, \$56,000.00 in and about Lakeview and \$6,000.00 for general purposes.

The application shows that the company proposes to use the proceeds to be received from the sale of the \$134,000.00 of stock and bonds now proposed to be issued, to reimburse its treasury because of the expenditures made. It appears, however, that such expenditures were financed to a great extent through the use of advances from Peoples Light and Power Corporation, the owner of substantially all of its outstanding stock, rather than through the use of surplus earnings, and we believe that the proceeds to be received from the present issue of securities should be used to pay indebtedness incurred in making the expenditures now under review, and that the reimbursement of the treasury should be limited to the amount of surplus earnings invested in the properties.

Reference to the company's financial statement shows an earned surplus as of March 31, 1929 of \$44,915.66. The testimony of E. H. Lehman, applicant's auditor, on this point, however, indicates that such surplus was built up in part because inadequate amounts had been included in operating expenses on account of depreciation and that had proper amounts been so included, the balance in the surplus account would be reduced by about \$14,000.00. It

appears to us, therefore, that applicant at this time should be permitted to use not exceeding \$30,000.00 of proceeds to reimburse its treasury because of the capital expenditures made up to March 31, 1929. Of the remaining proceeds the company may use approximately \$98,900.00 to pay amounts due affiliated companies and the balance to reimburse its reserve for depreciation. After such reimbursement of the reserve, the proceeds should be used to pay the cost of replacements, or to finance additional construction expenditures, and not used to pay dividends.

Our order, accordingly, will be entered.

ORDER

California Public Service Company, having applied to the Railroad Commission for an order authorizing the issue of stock and 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, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that California Public Service Company be, and it hereby is, authorized to issue and sell on or before December 31, 1929, at not less than par, plus accrued interest on its bonds, \$76,000.00 of first mortgage gold bonds, Series of 1941, and \$58,000.00 of common stock.

The authority herein granted is subject to further conditions as follows:-

1. Of the proceeds to be received from the stock and bonds herein authorized to be issued and sold, applicant may use approx-

imately \$30,000.00 to reimburse its treasury because of surplus earnings used in making capital additions, approximately \$98,900.00 to pay amounts due affiliated companies and the balance to reimburse its reserve for depreciation, provided that after the reimbursement of said reserve such proceeds be used to pay the cost of replacements, or finance additional construction expenditures.

2. The authority herein granted shall not be construed as binding the Commission to recognize the expenditures referred to in this proceeding for the purpose of fixing rates.

3. Applicant shall keep such record of the issue of the stock and 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 to issue stock will become effective upon the date hereof. The authority granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Seventy-six (\$76.00) Dollars.

DATED at San Francisco, California, this 10th day of June, 1929.



Paul D. Lott
Ed Scammy
Ernest Deane
Leon Whipple

Commissioners.

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O R D E R

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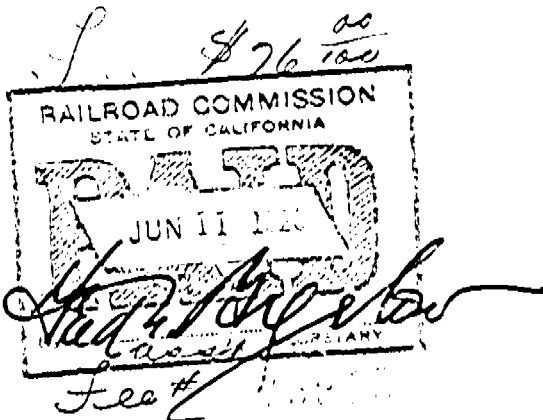
imately \$30,000.00 to reimburse its treasury because of surplus earnings used in making capital additions, approximately \$98,900.00 to pay amounts due affiliated companies and the balance to reimburse its reserve for depreciation, provided that after the reimbursement of said reserve such proceeds be used to pay the cost of replacements, or finance additional construction expenditures.

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Thos D. Lovitt
W. H. ...
Ernest ...
Leon ...

Commissioners.