

Decision No. 22147.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CALIFORNIA PUBLIC SERVICE COMPANY,  
a corporation, (formerly Peoples  
California Hydro-Electric Corporation),  
for authority to issue stock and bonds.)

**ORIGINAL**

Application No. 16974

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

BY THE COMMISSION:

O P I N I O N

In this decision the Railroad Commission has been asked to authorize California Public Service Company to issue and sell at par \$128,500.00 par value of its common capital stock and \$158,000.00 principal amount of its first mortgage five and one half percent gold bonds, Series of 1941, for the purpose of financing the cost of additions and betterments to its plants and properties.

The application shows that the corporation was organized under the laws of the State of California on or about June 12, 1926 and that it is engaged in the business of supplying electric energy in and about Fort Bragg, Mendocino and Alturas and other localities in the State of California and in Lakeview, Oregon. It has an authorized capital stock of \$400,000.00 divided into 4,000 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. Heretofore under authority granted by the Commission

it has issued \$186,400.00 of stock and \$289,000.00 of bonds, to finance the cost of acquiring the properties it now is operating, and also additions and betterments thereto up to March 31, 1929.

The company's assets and liabilities as of August 31, 1930 are set forth in Exhibit "A" attached to the application herein as follows:-

<u>A S S E T S</u>		
Fixed capital . . . . .		\$768,917.79
Current assets:		
Cash and deposits . . . . .	\$11,922.22	
Accounts receivable . . . . .	29,866.66	
Materials and supplies . . . . .	22,424.59	
Prepayments . . . . .	<u>548.91</u>	64,762.38
Unadjusted debits . . . . .		4,183.90
	Total assets.....	<u>\$837,864.07</u>

<u>L I A B I L I T I E S</u>		
Capital stock(Common) . . . . .	\$186,400.00	
Long term debt . . . . .	<u>289,000.00</u>	\$475,400.00
Due affiliated companies . . . . .		253,262.79
Current liabilities:		
Accounts payable . . . . .	11,002.34	
Accruals . . . . .	8,537.03	
Consumers' deposits . . . . .	3,190.00	
Line extension deposits . . . . .	<u>408.96</u>	23,138.33
Reserves:		
Retirement . . . . .	49,874.11	
Retirement acquired through acquisition of Surprise Valley properties . . . . .	6,934.00	
Valley properties . . . . .	<u>12,282.11</u>	69,090.22
Surplus:		
Capital . . . . .	3,184.22	
Earned . . . . .	<u>13,788.51</u>	16,972.73
	Total liabilities.....	<u>\$837,864.07</u>

In now making its application to issue additional stock and bonds, the company reports that up to August 31, 1930 it has expended for additions and betterments for which it has not been reimbursed, the sum of \$273,864.84, and in addition, that it has charged to capital account, as permitted by the Commission, the sum of \$12,671. on account of the purchase of the properties of the Surprise Valley Electric Light and Power Company, the two items aggregating \$286,535.84.

The expenditures are described fully in the exhibits attached to the application and in the oral testimony given in this proceeding. It clearly appears that they were made necessary by the increase in load, and by additional consumers. From the record it appears that the amounts set forth are reasonable.

In the application it is recited that the company proposes to use the proceeds to be received from the sale of the stock and bonds to reimburse its treasury, because of the \$286,535.84 of expenditures made. It seems, 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 applicant's outstanding stock, rather than through the use of surplus earnings, and we believe that the security proceeds should be used rather 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. In this connection reference to the financial statements filed with the application shows an earned surplus as of August 31, 1930 of \$13,788.51, which, according to the testimony of E. A. Lehman, applicant's auditor, is the total amount available for reimbursement or dividends. It therefore appears to us that applicant at this time should be permitted to use not exceeding such an amount of proceeds to reimburse its treasury and to use the remaining proceeds to pay the advances from affiliated companies amounting to \$253,262.79 and to reimburse its reserve for depreciation, the record indicating that the expenditures were financed temporarily from these three sources. After such reimbursement of the reserve, the proceeds should be used to pay the cost of replacement or to finance additional construction expenditures and not used to pay dividends or otherwise, distributed by the company.

ORDER

California Public Service Company having applied to the Railroad Commission for permission to issue 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 expenses or to income,

IT IS HEREBY ORDERED that the California Public Service Company be, and it hereby is, authorized to issue and sell on or before March 31, 1931 at not less than par \$128,500.00 of its common capital stock, and at not less than par plus accrued interest, \$158,000.00 of its first mortgage five and one half percent gold bonds, Series of 1941.

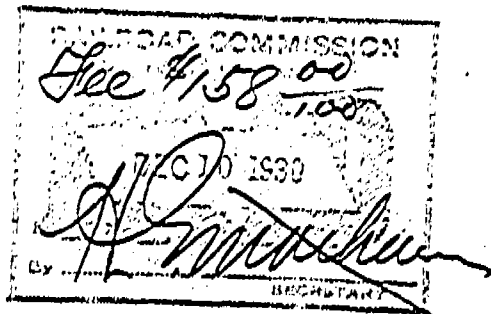
The authority herein granted is subject to the following conditions:-

- (1) Of the proceeds to be realized through the issue and sale of the stock and bonds herein authorized, applicant may use not exceeding \$13,788.51 to reimburse its treasury because of surplus earnings used in making capital additions and may use the remainder to pay amounts due Peoples Light and Power Corporation of \$253,262.79, and to reimburse its reserve for depreciation, provided that after the reimbursement of such reserve, the proceeds used for that purpose be used to pay the cost of replacements or to finance additional construction expenditures.
- (2) Applicant shall keep such record of the stock and bonds herein authorized to be issued 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.

- (3) The authority herein granted to issue stock will become effective upon the date hereof.
- (4) The authority herein 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 One Hundred and Fifty-eight (\$158.00) Dollars.

DATED at San Francisco, California, this 10th day of December, 1930.



Fee # 28487

C. L. Seavey  
James D. [unclear]  
Leon [unclear]  
David [unclear]  
[unclear]  
Commissioners.