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Decision No. 10014

ORIGINAL

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 one million dollars par value
of its first mortgage 5% bonds due
August 1, 1949.

Application Number 7452.

Chickering and Gregory, by
Warren Gregory and W. C. Fox, for Applicant.

BENEDICT, Commissioner.

OPINION

SIERRA AND SAN FRANCISCO POWER COMPANY asks permission to issue and sell at not less than 80% of their face value and accrued interest \$1,000,000 of its first mortgage 5 percent. bonds due August 1, 1949 and to use the proceeds to finance expenditures for extensions, additions and betterments to its plants and properties made subsequent to January 1, 1920 by its lessee, Pacific Gas and Electric Company.

By Decision Number 7032, dated January 17, 1920, as amended, applicant was authorized to lease its properties to Pacific Gas and Electric Company for a term of 15 years, starting January 1, 1920. During this period, Pacific Gas and Electric Company agrees 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 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 2 percent. of the gross revenues obtained from the leased properties,

to pay interest on the outstanding bonds, and to pay as rental \$50,000 during the first and second years of the lease, \$100,000 during the third year, and \$150,000 annually during the remaining years of the lease. Pacific Gas and Electric Company further agrees to build all necessary extensions, additions and betterments to applicant's properties. Expenditures made by 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 delivered to Pacific Gas and Electric Company and held as collateral securities for its advances.

A. F. Hockenbeamer, second vice-president and treasurer of Pacific Gas and Electric Company, testified that subsequent to January 1, 1920 and prior to September 30, 1921, Pacific Gas and Electric Company had expended \$2,323,534 for extensions, additions and betterments to applicant's properties, including about \$192,000 for materials and supplies. Of this amount \$52,500 has been reimbursed through credits to the bond discount reserve, \$103,533 through the special depreciation reserve and \$800,000 obtained from the sale of \$1,000,000 of bonds issued under authority granted by the Railroad Commission in Decision Number 5376, dated May 2, 1918, as amended by Decision Number 9173 dated June 28, 1921. Deducting these credits leaves a reported balance of \$1,367,491, for which Pacific Gas and Electric Company has not been reimbursed.

Applicant has filed as its Exhibit "1" a statement showing in some detail capital expenditures for extensions, additions and betterments to its properties during 1920 and 1921 and aggregating \$1,251,567. Testimony herein shows that this amount does not include all of the expenditures made during the period on applicant's property by Pacific Gas and Electric Company, but only such an amount

as is necessary to justify the issue of the bonds herein applied for.

I herewith submit the following form of order:-

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 on or before June 30, 1922 at not less than 80 percent. of their face value, plus accrued interest, \$1,000,000 of its first mortgage 5 percent. bonds due August 1, 1949, to finance in part the construction expenditures described in applicant's Exhibit No. 1, or deposit the bonds to secure the payment of advances by Pacific Gas and Electric Company as provided in the lease of January 1, 1920.

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

1. 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 in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act, which fee is \$1,000.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 21st day of January, 1922.



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Commissioners.