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Decision No. 1829

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of Pacific Light and Power Corporation for an order authorizing issue of bonds.) Application No. 1331

S. M. Haskins for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Pacific Light and Power Corporation for an order authorizing the issue of 170 of its first and refunding mortgage bonds of a face value of $170,000.

Applicant's trust deed provides that in September of each year there must be retired one per cent of the outstanding bonds, secured by such trust deed. On September 1st of this year there was due approximately $200,000 under this provision.

Another provision of this trust deed is that for every underlying bond retired there may be certified by the trustee a bond for a like amount of the bonds of applicant. Under this provision $170,000 face value of underlying bonds have been retired, and a like amount of applicant's bonds have been certified to it by its trustee. It is these bonds that applicant asks authority to issue and it is proposed to sell them to the trustee as part payment on the $200,000 now due under the sinking fund provisions of the trust deed.

The sinking fund provisions of this trust deed are unusually heavy, and inasmuch as $170,000 of underlying bonds have been retired I see no reason why applicant should not be allowed to issue a like amount of its own bonds for the purpose of complying with the sinking fund provisions.

The situation would be entirely different if applicant's sinking fund provisions were not more than safety required, because in effect, the granting of this application maintains the obligation of applicant in status quo. But, in view of the financial condition of this corporation, I think that this is justified at this time. It is proposed to obtain the balance of the money required by the sinking fund provision from sources other than the proceeds of securities or stock.

The trustee, under the trust deed, may obtain bonds for the sinking fund in the following ways:

By private purchase.

By purchase on any stock exchange.

By advertising for bids.

I think it is impossible to fix a minimum price at which applicant may sell these bonds to the trustee, because it is obvious that the duty of the trustee will be to obtain these bonds at a price not greater than he would have to pay under the methods above set out, and it is impossible to tell what price he could obtain. Obviously, he must obtain bonds for the sinking fund at the lowest possible price.

I recommend that the application be granted, and submit herewith the following form of order:

O R D E R

Application having been made by Pacific Light and Power Corporation for an order authorizing the issue of 170 of its first and refunding mortgage bonds of a face value of $170,000, and a public hearing having been had and it appearing to the Commission that the proceeds from the sale of said bonds are not reasonably chargeable to operating expenses or to income, and that the proceeds from the sale of said bonds are needed for the discharge of the obligations of applicant,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Pacific Light and Power Corporation is hereby authorized to issue 170 of its first and refunding mortgage bonds of a face value of $170,000, upon the following terms and conditions, not otherwise:

1. Said bonds shall be sold to the trustee acting under the trust deed executed by applicant under which said bonds are issued, the proceeds from such sale to be used solely for the purpose of complying with the sinking fund provisions in said trust deed.

2. Said bonds shall be sold at a price equal to that which the trustee under said deed could purchase like bonds for under the methods set out in said trust deed.

3. Immediately upon the sale of the bonds hereby authorized being made, report thereof under oath shall be made to the Railroad Commission.

4. This order shall not become effective until the fee prescribed by Section 57 of the Public Utilities Act, as amended, shall have been paid.

5. The authority hereby granted to issue bonds shall apply only to bonds issued by said company on or before the 1st day of April, 1915.

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 28th day of September, 1914.

John M. Eshleman

H. D. Loveland

Edwin O. Edgerton

Commissioners.

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