

Decision No. ✓**ORIGINAL**

Decision No. 1894

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )  
of Holton Power Company to issue )  
and sell first and refunding mort- ) Application No. 1232  
gage gold bonds. )

W. F. Holt, for applicant.

EDGERTON, Commissioner.

O P I N I O N

Holton Power Company asks authority to issue \$200,000 face value of its six per cent first and refunding mortgage gold bonds.

This Commission in an order made in Application No. 49, authorized the issuance by applicant of \$300,000 face value of bonds for the purpose of retiring a floating indebtedness which was created as a result of obtaining money for extensions and betterments.

In the proceedings in that application the financial condition of applicant was reviewed, and reference thereto is hereby made.

The proceeds from the sale of the bonds herein asked to be authorized are to be used for the purpose of making extensions and additions to the plant of applicant, made necessary by the rapid growth of the population of the territory through which it operates in Imperial Valley and the consequent demand upon it for additional service.

As illustrating the growth of its business, applicant submits statements showing an average gain of 47 per cent of gross electric revenue for the year 1913 over the preceding year and an average gain of 52 per cent this year over 1913.

Applicant asks permission to sell these bonds at not less than 80 per cent of face value, and I believe that this should be allowed as it is probably impossible to obtain money under better conditions for use in the Imperial Valley. This situation was fully discussed in the order made in Application No. 49. However, if the \$200,000 face value of bonds herein asked to be authorized are sold at 80 per cent of face value this will produce \$160,000, leaving a margin of \$40,000 of face of bonds over amount received from the sale of thereof. Applicant offers either to amortize this \$40,000 over the life of the bonds or to amortize this amount out of earnings before dividends are paid, I think the latter is the better course, and therefore recommend that such a provision be inserted in the order.

The earning statement of applicant shows its ability to carry the sinking fund and interest under its outstanding bond issue and the bonds herein asked to be authorized.

Herewith form of order granting the application:

#### O R D E R.

Application having been made to the Railroad Commission of the State of California by Holton Power Company for an order authorizing the issue of \$200,000 face value of its first and refunding mortgage gold bonds, dated October 1, 1911, bearing interest at the rate of 6 per cent per annum,

payable semi-annually on the 1st day of April and the 1st day of October of each year; and a public hearing having been held and it appearing to the Commission that the money to be secured by the issuance of said bonds is reasonably required by applicant for the purpose of acquiring property and building and constructing additions and betterments to its plant, and that such proceeds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Holton Power Company is hereby authorized to issue \$200,000 face value of its first and refunding mortgage gold bonds, bearing interest at the rate of 6 per cent per annum, payable semi-annually on the 1st day of April and the 1st day of October of each year and dated October 1, 1911.

Said bonds shall be issued under the terms of a mortgage and deed of trust dated October 1, 1911, executed by Holton Power Company to The Southern Trust Company, a copy of which said mortgage and deed of trust is on file in Application No. 49, reference to which is hereby made.

Holton Power Company shall sell the bonds hereby authorized so as to net said company not less than 80 per cent of the face value thereof, plus accrued interest at the date of their delivery to the purchaser.

The proceeds from the sale of said bonds shall be used for the following purposes only:

For the purchase, construction and equipment of the following betterments and additions to plant of applicant:

Transmission Line El Centro to Seeley and Dixieland.....	\$ 12,078.78
Distribution Substation Seeley.....	2,478.30
" " Dixieland.....	2,478.30
" Systems Seeley and Dixieland.....	7,642.50
Transmission Line Calipatria to Niland.....	6,634.70
Distribution Substation Calipatria.....	2,478.30
" " Niland.....	2,478.30
" Systems Calipatria & Niland.....	8,152.00
Additional Transmission Line El Centro to Calexico.....	9,404.20
Additional Transmission Line El Centro to Brawley.....	9,661.40
Transmission Substation El Centro.....	45,000.00
" " Calipatria.....	11,768.00
Water System El Centro.....	14,456.20
Ice Storage House, El Centro.....	48,940.00
Total,.....	\$183,650.98

Provided that this order is made upon the condition that before applicant shall declare or pay any dividends on its capital stock it shall amortize out of earnings \$40,000.00, which sum is the difference between the moneys received from the sale of the bonds hereinabove authorized and the face value of such bonds.

Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds herein authorized to be issued, and on or before the 25th day of each month, the company shall make a verified report to the Commission, stating the sale or sales of bonds during the preceding month, the terms and conditions of such sale, the moneys derived therefrom and the use and application of such moneys, all as provided in this Commission's General Order No. 24.

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

The authority hereby given to issue bonds shall apply only to bonds issued by said company on or before the 15th day of

April, 1915.

Dated at San Francisco, California, this *21st* day  
of October, 1914.

*H. H. Howard*

*Alex Gordon*

*Max Thelen*

*Edwin O. Egerton*

Commissioners.

Railroad Com. to State of Cal.

Fee \$ *200.00*  
OCT 26 1914

BY *J. G. Mathewson*  
Assistant Secretary.