Decision No. ___________

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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ORIGINAL

Decision No. 2281

In the matter of the Application of CITY ELECTRIC COMPANY to issue and sell bonds to the face value of $426,000.oo.)	Application No. 1540.

Chaffee E. Hall for applicant.

EDGERTON, Commissioner.

O P I N I O N.

City Electric Company, in this application, asks for authority to issue and sell $426,000.oo face value of its First Mortgage Five Per Cent Thirty Year Sinking Fund Gold Bonds at not less than 84 per cent of face value. Applicant desires to use the proceeds to be derived from the sale of these bonds to reimburse its treasury, in part, for capital expenditures amounting to $871,056.24, as shown in Exhibit "B" filed in connection with the application herein.

City Electric Company was incorporated January 14, 1907, with an authorized stock issue of $5,000,000, divided into 50,000 shares of the par value of $100.oo each. Of this amount, stock to the par value of $4,997,100 is owned by Great Western Power Company.

City Electric Company has an authorized bond issue of $5,000,000. The bonds bear 5% interest, are dated July 1, 1907, and mature July 1, 1937. Upon any semi-annual interest day, the company may, at any time after July 1, 1912, and prior to the date of the maturity of the bonds, pay and redeem all or any part thereof, by paying the face value, accrued interest and a premium of $50.oo per bond.

The company is obliged to pay to Anglo-California Trust

Company, trustee, successor to Central Trust Company of California, resigned, for the purpose of creating a sinking fund the following amounts:-

> On July 1, 1913, and annually thereafter until July 1, 1917, an amount equivalent to 1% of the bonds outstanding;
>
> On July 1, 1918, and annually thereafter until July 1, 1922, an amount equivalent to 1½% of the bonds outstanding;
>
> On July 1, 1923, and annually thereafter until July 1, 1932, an amount equivalent to 2% of the bonds outstanding;
>
> On July 1, 1933, and annually thereafter until all bonds are redeemed an amount equivalent to 2½% of the bonds outstanding.

The mortgage and deed of trust as amended in pursuance of the order of this Commission made in Application No. 1579, provide that after the company has issued bonds to the face value of $3,000,000, the trustee may certify and deliver the remaining $2,000,000, face value of bonds, only after the President or Vice President of City Electric Company shall have annexed to the Resolutions of the Board of Directors, calling upon the trustee to certify and deliver the bonds shown in such resolution, a certificate, declaring in effect that the bonds called for do not exceed 75% of the actual cash cost or reasonable value, which ever is less, of the extensions, additions and betterments to the plant and system of City Electric Company; and that after deducting all operating expenses (including therein, all proper charges for taxes, insurance, renewals, maintenance, rentals and depreciation) the earnings of City Electric Company for twelve months within the fourteen calendar months next preceding, were at least twice the aggregate interest charges accruing on all obligations of City Electric Company, outstanding during said period of twelve months, plus twelve months' interest on the bonds to be certified and delivered upon such certificate. By an agreement, dated February 18, 1912, Great Western

Power Company has guaranteed the prompt and punctual payment of the interest and principal of all bonds of City Electric Company. This guarantee does not appear in the Mortgage and Deed of Trust of City Electric Company but Great Western Power Company has agreed to endorse upon each bond, when presented, its guarantee in substantially the following form:

> "For value received, the Great Western Power Company hereby guarantees to the holder of the within bond the prompt and punctual payment according to the terms thereof, of the interest upon, and the principal of, the within bond.
>
> GREAT WESTERN POWER COMPANY,
>
> By ______________________
> President (or a Vice President)
>
> By ______________________
> Secretary (or an Assistant Secretary)

In its Annual Report for year ended December 31, 1914, applicant reports the status of its bonds as follows:

Bonds Outstanding, ...	$2,512,000.00
Bonds Unissued, ...	2,426,000.00
Bonds in Sinking Fund (Canceled), . .	62,000.00
Total, ...	$5,000,000.00

Included in the $2,512,000.00 face value, representing bonds outstanding, are bonds to the face value of $533,000.00, pledged to secure the payment of notes amounting to $600,000.00 in favor of Western Power Company.

Applicant reports Assets and Liabilities as of December 31, 1914, as follows:

ASSETS DECEMBER 31, 1914.

Fixed Capital,	$8,597,681.22
Cash and Deposits,	93,091.13
Notes Receivable,	59,033.35
Accounts Receivable,	941,048.36
Investments,	10,000.00
Materials and Supplies,	3,539.20
Sinking Fund,	194.04
Treasury Securities,	533,000.00
Prepaid Expenses,	26,434.82
Unamortized Discount on Bonds,	46,949.40
Other Suspense,	118.64
Construction Work in Progress,	23,745.08
Total Assets,	$10,334,835.24

LIABILITIES AS AT DECEMBER 31, 1914.

Capital Stock,	$5,000,000.00
Funded Debt,	2,512,000.00
Notes Payable,	6,000.00
Accounts Payable,	1,013,863.47
Interest Accrued,	49,953.00
Reserve for Accrued Depreciation,	328,026.39
Casualty and Insurance Reserve,	69,339.27
Reserve Invested in Sinking Fund,	51,170.00
Other Reserves from Income,	13,865.72
Corporate Surplus Unappropriated,	1,290,617.39
Total Liabilities,	$10,334,835.24

Applicant reports Operating Revenues, Expenses, etc., for years ended December 31, 1912, 1913 and 1914, as follows:

Item	1912	1913	1914
INCOME STATEMENT:			
Operating Revenue	$974,571.61	$1,018,981.27	$1,074,080.50
Operating Expenses	573,040.67	596,555.59	796,842.24
Net Operating Revenue	$401,530.94	$ 422,425.68	$ 277,238.26
Other Income	6,092.89	49,003.55	53,072.15
Gross Corporate	$407,623.83	471,429.23	$ 330,310.41
DEDUCTIONS:			
Bond Interest	86,583.07	99,218.05	100,214.16
Other Interest	3,219.82	36,795.83	36,000.00
Liability Reserve	--	--	--
Rents	--	3,212.40	3,041.66
Insurance	--	--	--
Sinking Fund	12,870.00	--	--
Bad Debts	--	2,493.78	2,649.46
Amortization of Debt Discount, etc.	--	--	2,086.71
Total Deductions	$102,672.89	$ 141,720.06	$ 143,991.99
TO PROFIT & LOSS	$304,950.94	$ 329,709.17	$ 186,318.42

In Exhibit "B", applicant reports the cost of extensions, additions and betterments to its plant and system from March 1, 1912, to December 31, 1914, as amounting to $871,056.24. This amount is composed of the following items:

LANDED CAPITAL:	
Land Devoted to Production Operations..........	$ 812.95
Land Devoted to Distribution Operations........	15,907.69
Total...............	$ 16,720.64
PRODUCTION CAPITAL:	
Power Plant, Bldgs.& General Structures........	$ 11,509.76
Furnaces, Boilers and Accessories..............	6,275.02
Steam Power Plant Equipment....................	1,438.92
Steam Service Plants...........................	537.69
Miscellaneous Production Equipment.............	114.24
Total...............	$ 19,875.63
TRANSMISSION & DISTRIBUTION CAPITAL	
Poles and Fixtures -Distribution System........	$ 32,700.58
Overhead System -Distribution System...........	51,769.88
Underground Conduits -Distribution System......	313,476.51
Sub-Station, Buildings and General Structures.. Distribution System......	39,786.82
Sub-Station Equipment,-Distribution System.....	89,374.49
Miscellaneous Equipment -Distribution System...	701.86
Line Transformers and Devices..................	59,198.86
Electric Services..............................	166,432.82
Meters...	28,262.39
Steam Service Distribution.....................	7,318.65
Commercial Lamps and Lamp Equipment............	2,232.86
Installation on Consumers Premises.............	90.86
Total...............	$ 791,346.58
GENERAL CAPITAL:	
General Office Equipment, ...	$ 1,986.95
Miscellaneous Equipment........................	68.48
Engineering and Superintendence................	3,082.58
Law Expenses During Construction)	
Injuries and Damages During Construction.......	6,874.90
Taxes During Construction......................	128.73
Miscellaneous Construction Expenditures........	30,718.18
Interest During Construction...................	253.57
Total...............	$ 43,113.39
TOTAL FIXED CAPITAL INSTALLED..................	$ 871,056.24

The evidence submitted by applicant would seem to indicate that approximately $85,784.79 of the amount expended for the installation of fixed capital represents amounts due Great Western Power Company. I am of the opinion that applicant's indebtedness to Great Western Power Company, in the amount indicated, should be paid out of the proceeds to be obtained from the sale of bonds herein authorized.

The applicant at this time is negotiating for the sale of bonds to the face value of $783,000.oo, which includes bonds to the face value of $533,000.oo now pledged and authorized to be sold in pursuance of Application No. 342.

Inasmuch as the Company contemplates the sale at this time of only $250,000.oo face value of bonds applied for in this Application, it is my opinion that the remaining $176,000.oo face value of bonds should be issued and sold by applicant only after having obtained a Supplemental Order to that effect from this Commission.

In view of the facts set forth in the foregoing Opinion, I recommend that this Application be granted and herewith submit the following form of Order:

O R D E R.

City Electric Company having made application to this Commission for authority to issue and sell $426,000.oo face value of its First Mortgage Five Per Cent Thirty Year Sinking Fund Gold Bonds, dated July 1, 1907, as set forth in the foregoing Opinion, and a hearing having been held and it appearing that the purposes for which it is desired to issue said bonds are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that City Electric Company be given authority and it is hereby given authority to issue and sell, subject to the conditions hereinafter specified, $426,000.oo, face value, of its First Mortgage Five Per Cent. Thirty Year Sinking Fund Gold Bonds.

The authority herein given is given upon the following conditions and not otherwise:

(1). City Electric Company may issue and sell bonds asked for in this application to the amount of $250,000.oo. face value, at not less than 84 per cent. of their face value plus accrued interest thereon.

(2). City Electric Company may issue and sell the remaining bonds -$176,000.00, face value,- asked for in this Application only after having obtained a supplemental order to that effect from this Commission.

(3). The proceeds to be derived from the sale of the bonds herein authorized shall be used for the following purposes:

(a).- To pay amount due to Great Western Power Company for materials and supplies furnished to and used by City Electric Company to make extensions, additions and betterments to its plant and system,..$85,784.79

(b).- To reimburse applicant's treasury for moneys expended out of income to pay for the cost of extensions, additions and betterments to applicant's plant and system,..............................$124,215.21

(4). City Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5). The authority herein granted shall apply to such bonds as shall have been issued on or before March 1, 1916.

(6). The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public

Utilities Act.

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 9th day of April, 1915.

Max Thelen

H. D. Loveland

Edwin O. Edgerton

Commissioners.

Railroad Commission State of California

APR 15 1915

BY H. G. Mathewson

Assistant Secretary.