

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 2775

ORIGINAL

In the matter of the application of The Southern Sierras Power Company for an order authorizing it to execute a first and refunding mortgage; and for an order authorizing the issue and sale of first and refunding mortgage bonds.

Application  
No. 1436.

EDGERTON, Commissioner.

First Supplemental Opinion

By a supplemental order dated March 19, 1915, (Decision No. 2244), this Commission authorized The Southern Sierras Power Company to issue \$300,000 face value of first mortgage bonds and to use the proceeds derived from the sale of these bonds for the following purposes:

- (a) For the retirement of the outstanding notes of The Southern Sierras Power Company, ..... \$35,364.85
- (b) For the payment of accounts payable, ..... 14,638.75
- (c) For partial payment of indebtedness due to The Nevada-California Power Company, which was listed by the applicant in the total amount of ..... 995,584.01

By a supplemental order dated August 4, 1915, (Decision No. 2665) this Commission authorized The Southern Sierras Power Company to pledge \$75,000 face value of first mortgage bonds heretofore authorized to secure the payment of notes in a like amount.

By an order dated July 13, 1915 (Decision No. 2592) this Commission authorized The Southern Sierras Power Company to issue \$3,668,000 face value of its first and refunding Series "A" 6 per cent 50-year bonds. The Commission's order provided that the first and refunding mortgage bonds should be used for the following purposes:

- |     |                                                                                                                      |             |
|-----|----------------------------------------------------------------------------------------------------------------------|-------------|
| (a) | To pay, retire or discharge \$2,500,000 of first mortgage 25-year bonds of The Southern Sierras Power Company, ..... | \$2,500,000 |
| (b) | To pay, retire or discharge \$300,000 face value of first mortgage 25-year bonds authorized by Decision No. 2244,..  | 300,000     |
| (c) | To pay, retire or discharge \$70,000 face value of bonds of Lytle Creek Power Company, .....                         | 70,000      |
| (d) | To pay and discharge outstanding indebtedness, .....                                                                 | 798,000     |

In this supplemental application now before this Commission, applicant reports that it has realized \$138,675 from the sale of \$150,000 face value of first mortgage bonds, and that it has used the proceeds thus obtained to pay notes and accounts in the sum of \$40,000 and to pay outstanding indebtedness in the amount of \$98,675 due the Nevada-California Power Company.

Applicant now requests authority to issue at not less than 90 per cent of face value plus accrued interest, \$150,000 face value of first and refunding mortgage bonds in lieu of \$150,000 face value of first mortgage bonds heretofore authorized by this Commission.

The proceeds to be obtained from the sale of the \$150,000 first and refunding mortgage bonds, applicant desires to use to pay and discharge indebtedness due The Nevada-California Power Company and The Sierras Construction Company.

Applicant also asks for authority to expend the proceeds to be obtained from the sale of the \$798,000 face value of first and refunding bonds heretofore authorized for the following purposes:

- (a) To reimburse the treasury of the company for payments made out of the treasury for balance of notes and interest and accounts payable on Application No. 1391, \$10,003.60
  - (b) The balance to be applied on account of applicant's indebtedness to The Nevada-California Power Company, which balance if the bonds are sold so as to net 90 per cent of par, will amount to ..... 708,196.40
- Total, .....\$718,200.00

Included in the item of \$10,003.60 is the sum of \$676.91, representing interest; and the adjustment of this figure, therefore, will leave \$9,326.70.

Applicant also asks this Commission to approve the revised copy of its first and refunding mortgage. The revised copy differs from the first and refunding mortgage heretofore approved subject to certain changes in that it contains a provision whereby The Nevada-California Power Company guarantees the payment, both as to principal and interest, of the first and refunding mortgage bonds of The Southern Sierras Power Company. The guarantee appears on the bonds and reads as follows:

"For value received, The Nevada-California Power Company hereby waives presentation, demand, protest and notice of protest on the within bond and guarantees due payment of the principal and interest on this bond at the time and in the manner therein specified, and agrees that no release, extension or accomodation to The Southern Sierras Power Company shall operate as a release or waiver of its liability as guarantor."

The mortgage or deed of trust is dated January 1, 1915. It is executed by and between the applicant and The International Trust Company of Denver and Los Angeles Trust and Savings Bank, trustees. The mortgage which applicant

desires to substitute for the one heretofore approved is of the so-called "open end" type, in that it does not specify the amount of bonds which may be issued thereunder. It provides that bonds may be issued in amounts equal to 85 per cent of the appraised value of the property, provided the consent of the Railroad Commission of the State of California is first obtained.

The mortgage recites that the present depreciated value of the property of The Southern Sierras Power Company, as of December 31, 1914, amounted to \$5,050,250. It should be noted in this connection that this Commission based its decision in the above entitled matter on the cost of the property which was reported at \$4,314,979.42. Eighty-five per cent of the cost as reported amounts to \$3,667,732.51.

The bonds are to be issued in series. The first series is to be known as First and Refunding Mortgage 6 per cent Gold Bonds, Series "A". The amount of bonds to be issued under Series "A" is limited to \$5,000,000. The initial issue of bonds of Series "A" shall bear interest at the rate of six per cent per annum. All bonds thereafter issued, either of Series "A" or any subsequent series, shall bear interest at such rate or rates, not exceeding six per cent per annum, as may be fixed and determined by the Board of Directors of The Southern Sierras Power Company and designated in said bonds when issued. Series "A" bonds are dated January 1, 1915 and mature January 1, 1965.

The coupon bonds shall be of such denomination as the Board of Directors may determine. The registered bonds shall be issued in denominations of \$1,000, \$5,000, \$10,000 or such multiples thereof as the Board of Directors may determine.

The indenture appropriates the bonds authorized

to be issued as follows:

\$2,500,000 to retire, refund or pay first mortgage bonds of The Southern Sierras Power Company.

\$ 300,000 to retire, refund or pay first mortgage bonds of The Southern Sierras Power Company, the issuance of which has been authorized by Decision No. 2175 and Decision No. 2144 of the Railroad Commission of the State of California.

\$ 70,000 to retire, refund or pay first mortgage bonds of Lytle Creek Power Company.

\$ 798,000 to retire, refund or pay floating indebtedness.

\$2,668,000 Total.

Subject to the approval of the Railroad Commission of the State of California, the indenture authorizes the Southern Sierras Power Company from time to time to issue additional bonds. Bonds may be issued for some or all of the following purposes:

(1) To acquire property necessary or desirable for the business of the power company.

(2) For the construction, completion, extension or improvement of its facilities.

(3) For the improvement or betterment of its service.

(4) For the discharge or lawful refunding of the outstanding obligations of the power company.

(5) For the purpose of reimbursing the power company for moneys expended out of income for capital purposes.

(6) For such other and further lawful purposes as may be approved and allowed by the Public Utility Commission or Commissions having jurisdiction in the matter.

The mortgage also obligates the company to pay, beginning February 1, 1920 and annually thereafter, from its net earnings for the purpose of creating a redemption fund, an amount equal to three-fourths of one per cent of the face value of the bonds outstanding. The bonds are callable at 103.

The holders of a majority of the bonds outstanding have the power to control foreclosure proceedings.

I herewith submit the following form of order:

First Supplemental Order

The Southern Sierras Power Company having applied to this Commission for authority to issue \$150,000 face value of its first and refunding mortgage bonds in lieu of \$150,000 of its first mortgage bonds heretofore authorized to be issued by this Commission; for authority to expend the proceeds from the sale of \$798,000 face value of its first and refunding mortgage bonds heretofore authorized by this Commission in the manner specified in the foregoing opinion; and for authority to execute a first and refunding mortgage in the form of a copy of said mortgage attached to this supplemental application and marked "Revised Exhibit B",

And it appearing that the purposes for which it is proposed to issue said \$150,000 of first and refunding mortgage bonds and said \$798,000 face value of first and refunding mortgage bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

And it appearing to this Commission that the application as herein made is reasonable and should be granted,

IT IS HEREBY ORDERED that The Southern Sierras Power Company be granted authority and it is hereby granted authority to issue \$150,000 face value of its first and refunding mortgage bonds in lieu of \$150,000 face value of first mortgage bonds heretofore authorized by this Commission (Decision No. 2244) said bonds to be sold so as to net applicant not less than 90 per cent of the face value thereof plus accrued interest



thereon, and the proceeds to be used to pay indebtedness due The Nevada-California Power Company and The Sierras Construction Company.

IT IS FURTHER ORDERED that The Southern Sierras Power Company be granted authority and it is hereby granted authority to expend the proceeds to be obtained from the sale of \$798,000 face value of its first and refunding bonds for the following purposes:

(a) To reimburse the treasury of the company for payments made on notes and accounts payable included in Application No. 1391, .....\$ 9,326.70

(b) For payment on account of applicant's indebtedness to The Nevada-California Power Company, ...\$708,196.40.

IT IS FURTHER ORDERED that The Southern Sierras Power Company be granted authority and it is hereby granted authority to execute a first and refunding mortgage substantially in the form of a copy of said mortgage filed in connection with the application herein and marked "Revised Exhibit B", entitled "First and Refunding Mortgage, The Southern Sierras Power Company to Los Angeles Trust and Savings Bank and The International Trust Company, Trustees, dated January 1, 1915, securing the First and Refunding Six Per Cent Gold Bonds of Said Power Company."

The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

The approval herein given of said mortgage is given upon the condition that said approval shall not constitute an approval of any of the statements of value of the properties of this applicant as contained in said mortgage.

IT IS FURTHER ORDERED that this Commission's order dated February 27, 1915 (Decision No. 2175) and the supplemental orders thereto, and this Commission's order dated July 13, 1915 (Decision No. 2592) shall remain in full force and effect, except as the same may be modified and amended by this supplemental order.

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

Dated at San Francisco, California, this 23  
day of September, 1915.

Max Helen

H. H. [unclear]

Edwin O. Edgerton

Frank R. [unclear]

Commissioners.