

ORIGINAL

Decision No. 2485

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)	
of GREAT WESTERN POWER COMPANY)	
of CALIFORNIA for permission to)	Application No. 1999.
issue capital stock and debentures)	
and for approval of a)	
certain financial plan.)	

Guy C. Earl and Chaffee E. Hall for applicant.

BY THE COMMISSION.

OPINION.

This is an application for an order authorizing the issue of capital stock and debentures, and the execution of a debenture agreement and for the approval of a general financial plan, as will hereinafter appear in detail.

The petition herein recites that applicant has an authorized capital stock of sixty million dollars, divided into 600,000 shares of the par value of \$100.00 each, of which 300,000 shares are preferred stock and 300,000 shares are common stock; that said preferred stock is non-assessable, is preferred as to assets and dividends, bears interest at the rate of 7 per cent per annum (cumulative from date of issue), and is redeemable in whole or in part at the option of the corporation at 105 plus accrued dividends; that applicant's articles of incorporation contain certain restrictions with reference to the issue of preferred stock; that the total stock heretofore issued by applicant consists of 14 shares of common stock; and that applicant was incorporated on November 23, 1915, pursuant to a certain financial plan set forth in the petition, for the purpose of acquiring the properties and securities of a part or all the corporations comprising what is known as the Great Western Power System.

The petition alleges that the corporations comprising

the Great Western Power System are: Western Power Company, a New Jersey corporation; Great Western Power Company, City Electric Company and California Electric Generating Company, all California corporations; United Light and Power Company, a New Jersey corporation; and United Light & Power Company, Central Oakland Light and Power Company, Consumers Light and Power Company, Equitable Light and Power Company, Southside Light and Power Company and Consolidated Electric Company, all California corporations. The relationship between these corporations is alleged to be as follows: Western Power Company (of New Jersey) owns the entire capital stock, except directors' shares, of Great Western Power Company; Great Western Power Company owns substantially the entire capital stock of City Electric Company, the common stock, except directors' shares, of California Electric Generating Company, and the entire capital stock, except directors' shares, of Consolidated Electric Company; Consolidated Electric Company owns the controlling stock interest in United Light and Power Company (of New Jersey), United Light and Power Company (of California), Central Oakland Light and Power Company, Consumers Light and Power Company, Southside Light and Power Company and Equitable Light and Power Company. Consolidated Electric Company also owns all the physical assets of said corporations next hereinbefore specified, subject to the liens of the respective mortgages or deeds of trust securing the notes and bonds of said corporations.

The petition states that the Great Western Power System is engaged in the business of generating, transmitting, distributing and selling electric energy and steam in the counties of Plumas, Butte, Sutter, Yuba, Sacramento, Solano, Napa, Sonoma, Contra Costa, and Alameda, and in the cities and towns therein, and in the City and County of San Francisco, and elsewhere in the State of California; that the properties comprising the Great Western Power System include a storage reservoir at Big Meadows, Plumas

County, with a present capacity of more than 250,000 acre feet, a hydro-electric generating plant at Big Bend on the North Fork of the Feather River, in Butte County, with a present installed capacity of 70,000 horse power, a steel tower transmission line extending from Big Bend to Oakland, two submarine cables beneath the waters of San Francisco Bay, various steam generating plants in the cities of Oakland and San Francisco, and approximately 800 miles of distributing lines in the counties, cities and towns above named; that the operation of the properties in the City and County of San Francisco is conducted by City Electric Company; and that the properties elsewhere in California are operated by Great Western Power Company either by virtue of ownership or under lease from some of the other corporations composing the Great Western Power System.

The petition recites that for the purpose of securing money for developing and extending the Great Western Power System, the following financial plan has been devised:

1. Great Western Power Company of California is to authorize the issue of debentures, under a debenture agreement, in the aggregate amount of five million dollars, to be dated November 1, 1915, and payable November 1, 1925, to bear interest at the rate of 6 per cent per annum, to be convertible at par and accrued interest ^{after} ~~xxx~~ two years and until five years from date into preferred stock at 95 and accrued dividends, and to be redeemable at 101 and accrued interest at any time on four weeks published notice.

2. Great Western Power Company of California is to acquire from Western Power Company (of New Jersey) 274,986 shares of the capital stock of Great Western Power Company, of the par value of \$27,498,600.00, being the entire capital stock of Great Western Power Company, except the qualifying shares of directors, and to issue in payment therefor 274,986 shares of the common capital stock of Great Western Power Company of California.

3. Great Western Power Company of California is to sell to Western Power Company (of New Jersey) \$4,500,000.00, face value, of its said debentures at the price of 91 per cent of the face amount thereof and accrued interest, to be delivered as and when required by Western Power Company (of New Jersey) during the 12 succeeding months, and Great Western Power Company of California is also to give an option to Western Power Company (of New Jersey) on the remaining \$500,000.00, face value, of said debentures at the same price, for a period of one year.

4. Great Western Power Company of California, as soon as practicable, is to purchase from Great Western Power Company \$4,998,000.00, par value, of the stock of City Electric Company (being the entire stock of City Electric Company, except 20 shares) for not less than three million dollars in cash, which purchase price when received by Great Western Power Company is to be lodged with the trustee of Great Western Power Company's first mortgage and to be withdrawn from time to time thereafter only to pay for improvements on and additions to the properties of Great Western Power Company, as provided in its said first mortgage, against which expenditures no first mortgage bonds of Great Western Power Company shall hereafter be issued.

5. Great Western Power Company of California, after it has acquired the capital stock of City Electric Company, if and when practicable, is to cause substantially the entire property of City Electric Company to be conveyed (subject to the mortgage thereon) to Great Western Power Company of California, in consideration of the assumption by Great Western Power Company of California of the mortgage and other obligations of City Electric Company.

6. Great Western Power Company of California will thereafter authorize a general and refunding mortgage, to be secured by a direct lien on substantially the entire property of City Electric Company (subject to the first mortgage thereon) and on all

other properties and franchises of Great Western Power Company of California then owned or thereafter acquired, and by the deposit of certain first mortgage bonds of City Electric Company and Great Western Power Company acquired or to be acquired by Great Western Power Company of California as part of the treasury assets of said corporations. The aggregate amount of the bonds to be issued under said general and refunding mortgage is to be either unlimited or limited to not more than \$150,000,000.00 as Great Western Power Company of California may hereafter determine. The petition sets forth tentative suggestions with reference to the term, interest, sinking fund provisions, and redemption provisions of said bonds, the relationship between the face value of the bonds to be issued and capital expenditures, and the purposes for which said bonds are to be issued.

7. Great Western Power Company of California, after having authorized its said mortgage and issued as many bonds thereunder as practicable in exchange for first mortgage bonds of City Electric Company, if and when practicable (legally and otherwise) is to cause substantially all the property of Great Western Power Company to be conveyed (subject to the mortgage thereon) to Great Western Power Company of California in consideration of the assumption by Great Western Power Company of California of the mortgage and other obligations of Great Western Power Company.

The petition refers to ^{an} agreement dated November 3, 1915, between Western Power Company (of New Jersey), party of the first part, and E. H. Rollins & Sons and William P. Bonbright & Co., Incorporated, referred to as the Purchasers, parties of the second part, under which agreement Western Power Company (of New Jersey) has agreed to sell and the Purchasers have agreed to buy the \$4,500,000.00, face value, of debentures of Great Western Power Company of California, to be acquired by Western Power Company (of New Jersey), except such amount of debentures as may be purchased by the stock-

holders of Western Power Company (of New Jersey) and Western Power Corporation (of New York) at 96 per cent of their face value. The Purchasers are to pay 96 per cent of the face value of the debentures and Western Power Company (of New Jersey) agrees to pay to the underwriting Purchasers a commission of 5 per cent on the ^{face value of the} ~~the~~ entire \$4,500,000.00, face value, of debentures, in addition to giving to the Purchasers the option of purchasing the remaining \$500,000.00, face value, of debentures within two months at 91 per cent of their face value plus accrued interest, and also the sum of \$8,000.00 for services rendered. The agreement also contains provisions for the sale by the Purchasers to Western Power Company (of New Jersey) of certain bonds of City Electric Company and the sale by Western Power Company (of New Jersey) to the Purchasers of certain shares of the preferred stock of California Electric Generating Company, and provides for the retirement by Western Power Company (of New Jersey), from time to time, of its one million dollars of 2-year 6 per cent gold notes, due March 1, 1917.

The petition states that the proceeds to be derived by Great Western Power Company of California from the sale of the five million dollars, face value, of debentures or any part thereof, will be used by Great Western Power Company of California "for the purposes, or some of the purposes, specified by subdivision b of Section 52 of the Public Utilities Act, and included in the aforesaid financial plan."

The petition asks that this Commission make its order authorizing Great Western Power Company of California to issue its said common capital stock of the par value of \$27,498,600.00 and its said debentures of the face value of \$5,000,000.00, and to approve the remainder of the aforesaid financial plan.

Copies of Great Western Power System's condensed income account, the proposed debenture agreement and the purchase agreement are filed with the petition.

A public hearing on this petition was held in San Francisco on December 11, 1915, at which time the application was submitted.

Great Western Power Company of California, the applicant herein, as already indicated, has issued only 14 shares of its common capital stock. The company does not as yet own any property.

Great Western Power Company was incorporated on September 18, 1906, and is an operating company which, either directly or through a controlling ownership of the capital stock of its subsidiary corporations, owns all the physical properties of the Great Western Power System. Great Western Power Company has an authorized issue of 275,000 shares of common capital stock of the par value of \$100.00 per share, being a total par value of \$27,500,000.00. All these shares with the exception of 13 shares held by 13 directors, are owned by Western Power Company (of New Jersey), City Electric Company, one of the subsidiaries of Great Western Power Company, has an authorized issue of 50,000 shares of common capital stock of the par value of \$100.00 per share, being a total par value of \$5,000,000.00. With the exception of 9 shares, held by 9 directors and 20 shares held in one block by another stockholder, the entire capital stock of City Electric Company is held by Walter S. Wilson in trust for Great Western Power Company. As heretofore stated, City Electric Company is the operating company in San Francisco. California Electric Generating Company, another subsidiary of Great Western Power Company, has an authorized issue of 50,000 shares of common capital stock of the par value of \$100.00 per share, being a total par value of \$5,000,000.00, and 25,000 shares of preferred capital stock of the par value of \$100.00 per share, being a total par value of \$2,500,000.00 of preferred stock. 13 shares of the common capital stock are held by 13 directors. The entire remaining common capital stock is held by Great Western Power Company. The preferred capital stock is held by the public.

but the largest holding is that of Western Power Company (of New Jersey), which owns 7,000 shares. California Electric Generating Company is the owner of the steam properties in Oakland which are operated by Great Western Power Company under lease dated January 26, 1909. Consolidated Electric Company, another subsidiary of Great Western Power Company, has authorized and issued common capital stock of the face value of \$10,000.00, all of which, except directors' shares, is held by Great Western Power Company. Consolidated Electric Company, under authority from this Commission, heretofore acquired the properties of United Light and Power Company (of New Jersey), United Light and Power Company (of California), Consumers Light and Power Company, Equitable Light and Power Company, Central Oakland Light and Power Company and Southside Light and Power Company. The first of these corporations was a holding company. The other corporations owned and operated electric properties in San Francisco and Oakland.

We turn now to the holding companies. As hereinbefore indicated, the entire capital stock of Great Western Power Company, with the exception of directors' shares, is held by Western Power Company (of New Jersey). The New Jersey corporation owns no property except the capital stock of Great Western Power Company and certain securities of some of the subsidiary corporations of Great Western Power Company. The New Jersey corporation has an authorized issue of \$14,670,000.00, par value, of common capital stock and \$6,000,000.00 par value of preferred stock, which, until the exchange for the capital stock of Western Power Corporation (of New York) next hereinafter referred to, was held by the public in the United States and Europe. In other words, the New Jersey corporation issued its capital stock to the public, based solely upon its ownership of the capital stock of Great Western Power Company and of certain securities of some of the subsidiary corporations of Great Western Power Company.

On June 5, 1915, Western Power Corporation was incorporated under the laws of New York, with a preferred capital stock of the par value of \$7,080,000.00, and 146,700 shares of common capital stock without par value. The common capital stock was authorized in accordance with the recent statutory enactment in the State of New York, providing that capital stock may be issued without any designation as to par value. The testimony in this proceeding shows that the New York corporation is now issuing its capital stock, share for share, to the owners of the capital stock of the New Jersey corporation, with the exception that the par value of the preferred capital stock of the New York corporation, being \$7,080,000.00, is the equivalent of the sum of the preferred capital stock of the New Jersey corporation, amounting to \$6,000,000.00 and the ^{accrued} dividends on the preferred stock of the New Jersey corporation, accumulating from January 1, 1912 to December 31, 1914, amounting to \$1,080,000.00, but not paid by the New Jersey corporation. Applicant's president testified herein that the New York corporation was incorporated for the reason that the New Jersey laws contain certain restrictions with reference to the issue of debentures, and other matters, which have proven onerous to the New Jersey corporation. It is the intention hereafter to disincorporate the New Jersey corporation and to pass its property to the New York corporation.

The following table shows in summary form the capital stock of these various corporations, authorized and outstanding:

Table No. I.

GREAT WESTERN POWER SYSTEM

STOCK AUTHORIZED AND OUTSTANDING.

<u>Name of Company</u>	<u>Shares Authorized</u>		<u>Shares Outstanding</u>	
	<u>Common</u>	<u>Preferred</u>	<u>Common</u>	<u>Preferred</u>
Western Power Corporation (of New York)	146,700	70,800	Not known	
Western Power Company (of New Jersey)	146,700	60,000	146,700	60,000
Great Western Power Company of Cal.	300,000	300,000	14	---
Great Western Power Company	275,000	----	275,000	---
City Electric Company	50,000	----	50,000	---
California Electric Generating Company	50,000	25,000	50,000	25,000
Consolidated Electric Company	100	----	100	---

~~All shares are of the par value of \$100 each.~~

All shares in the foregoing table are of the par value of \$100.00, with the exception of the 146,700 shares of common capital stock of Western Power Corporation (of New York), which shares are without par value.

Western Power Corporation (of New York) has no bonded indebtedness.

Western Power Company (of New Jersey) likewise has no bonded indebtedness. On March 1, 1915, the corporation issued one million dollars, face value, of 2-year collateral trust gold notes for the purpose of paying, with the assistance of other available funds, \$1,250,000.00, face value of notes, which matured on July 18, 1915.

Great Western Power Company has provided for a bond issue in the amount of twenty-five million dollars. On October 31, 1915, the status of these bonds was reported to be as follows:

Outstanding and interest bearing	\$21,704,000.00
Pledged with Central Trust Company of New York to guarantee payment of dividends on preferred stock of California Electric Generating Co.....	707,000.00
Pledged with other parties.....	550,000.00
In Company's treasury	584,000.00
Unauthenticated	1,675,000.00
Total	\$25,000,000.00

These bonds are known as "first mortgage 5 per cent sinking fund 40-year gold bonds," are payable on July 1, 1946, and may be redeemed on July 1, 1912, or on any subsequent interest date at 106 per cent of their face value and accrued interest.

City Electric Company has provided for an issue of bonds in the total sum of five million dollars, of which amount the company reports that \$2,731,000.00, face value, were outstanding on October 31, 1913. These bonds are known as "first mortgage 5-per cent 30-year sinking fund gold bonds," mature on July 1, 1937,

and are redeemable on and after July 1, 1912, at not more than 105.

California Electric Generating Company has authorized an issue of bonds of the face value of five million dollars, of which \$1,500,000.00, face value, are referred to as "Series A" bonds and \$5,500,000.00, face value, as "Series B" bonds. On October 31, 1915, \$1,113,000.00, face value of Series A bonds were reported as outstanding. None of the Series B bonds have been issued. These bonds bear interest at the rate of 5 per cent per annum and are payable on September 1, 1948.

Consolidated Electric Company has authorized an issue of bonds of the total face value of three million dollars. On October 31, 1915, \$2,075,000.00, face value, of these bonds had been issued. On the same day there were outstanding \$145,000.00, face value, of underlying bonds of Central Oakland Light and Power Company and \$100,000.00, face value, of underlying bonds of Consumers Light and Power Company.

The following table shows the interest bearing funded indebtedness of the various corporations of Great Western Power System on October 31, 1915:

Table No. II.

GREAT WESTERN POWER SYSTEM
Interest Bearing Funded
Indebtedness on Oct. 31, 1915.

Western Power Company 6% notes	\$ 1,000,000
Great Western Power Company 5% bonds	21,704,000
City Electric Company 5% bonds	2,731,000
California Electric Generating Co. 5% bonds	1,113,000
Consolidated Electric Company 5% bonds	2,075,000
Central Oakland Light and Power Company 5% bonds	145,000
Consumers Light and Power Co. 6% bonds	100,000
Total	\$ 28,868,000

The following table shows the current indebtedness of the various corporations representing the Great Western Power System on October 31, 1915:-

Table No. III.

GREAT WESTERN POWER SYSTEM.

Current Indebtedness on October 31, 1915.

I T E M	Great Western Power Company	City Electric Company	California Electric Generating Company	T O T A L
Notes Payable	\$297,500.00	\$ 6,000.00	\$ -	\$303,500.00
Accounts Payable:				
Due system cor- porations	316,532.89	3,550.07	-	320,082.96
Audited Vouchers	94,811.34	24,218.01	-	119,029.35
Wages Unpaid	38,989.17	7,516.17	-	46,505.34
Consumers' Deposit	226.00	183.35	-	409.35
Miscellaneous	6,028.61	45.00	2,965.15	9,038.76
Total Notes and Accounts Payable	754,088.01	41,512.60	2,965.15	798,565.76
Interest Accrued	384,855.22	46,534.67	12,725.00	444,114.89
Taxes Accrued	8,172.93	445.25	283.75	8,901.93
Grand Total	1,147,116.16	88,492.52	15,973.90	1,251,582.58

In addition to the foregoing, Consolidated Electric Company, the stock of which has recently been acquired by Great Western Power Company, owed \$450.00 as accounts payable and \$52,627.06 accrued interest.

The following table shows the assets and liabilities of Great Western Power Company, City Electric Company, California Electric Generating Company and Consolidated Electric Company on October 31, 1915, as set forth in the books of these corporations:

Table IV.

GREAT WESTERN POWER SYSTEM

Assets and Liabilities (as reported in the books) on October 31, 1915.

A S S E T S	Consolidated	Great Western	Calif. Electric	City	Combined
	Electric Company	Power Company	Generating Company	Electric Company	
Fixed Capital Installed prior to Jan. 1, 1913		41,848,615.62	8,637,885.50	7,991,441.01	58,477,942.13
Fixed Capital Installed since Dec. 31, 1912	2,235,907.00	1,841,725.63	5,101.73	792,005.54	4,874,739.90
Cash and Deposits - Cash	20,959.04	228,512.31	578.79	110,763.47	360,813.61
Special Deposits	10,200.00	13,817.50	3,450.00	28,344.81	55,812.31
Notes Receivable	17,496.77	60,517.33	-	26.05	78,040.15
Accounts Receivable - System Corporations	54,362.14	219,000.00	113,357.23	408,212.72	794,932.10
Consumers and Agents	-	217,699.40	-	104,827.87	322,527.27
Miscellaneous	4.50	197,934.56	-	3,373.64	201,312.70
Interest and Dividends Receivable	-	12,311.12	9,300.14	5,084.46	26,695.72
Other Current Assets	-	-	-	-	-
Investments - Securities of Other Corporations	-	6,507,112.50	-	7,500.00	6,514,612.50
Advances to System Corporations	-	-	-	-	-
Miscellaneous	-	977,346.71	-	-	977,346.71
Materials and Supplies	-	104,625.01	-	-	104,625.01
Fuel Oil	-	2,204.30	-	6,770.40	8,974.70
Salvaged Equipment	-	21,162.07	-	-	21,162.07
Loaned Equipment	-	15,621.19	-	-	15,621.19
Sinking Funds	-	-	148.20	337.65	485.85
Treasury Securities	50,500.00	914,000.00	-	-	964,500.00
Prepaid Expenses - Rents	-	2,634.30	-	3,180.36	5,784.66
Taxes	5,369.16	14,631.30	255.50	9,587.97	29,843.93
Insurance	-	2,277.28	-	2,010.51	4,287.79
Other	-	11,106.41	-	-	11,106.41
Unamortized Discount on Securities and Expenses	-	257,683.91	-	171,607.42	429,291.33
Other Suspense	-	1,409.99	-	-	1,409.99
E. Hawley, Trustee	-	707,000.00	-	-	707,000.00
Construction Work in Progress - Work Orders	-	39,028.31	-	24,204.41	63,232.72
Big Meadows Reservoir	-	26,231.86	-	-	26,231.86
Big Meadows Dam	-	48,419.77	-	-	48,419.77
Big Bend Unit No. 6	-	116,436.00	-	-	116,436.00
TOTAL ASSETS	2,394,798.61	54,409,064.38	8,770,077.09	9,669,248.30	75,243,189.38

LIABILITIES					
Capital Stock - Common	10,000.00	27,500,000.00	5,000,000.00	5,000,000.00	37,510,000.00
Preferred	-	-	2,500,000.00	-	2,500,000.00
Funded Debt	2,318,000.00	23,325,000.00	1,113,000.00	2,731,000.00	29,487,000.00
Advances from System Corporations	-	297,500.00	-	6,000.00	303,500.00
Notes Payable	-	316,532.89	-	3,550.07	320,082.96
Accounts Payable - System Corporations	-	94,811.34	-	24,218.01	119,029.35
Audited Vouchers	-	38,989.17	-	7,516.17	46,505.34
Wages Unpaid	-	226.00	-	183.35	409.35
Consumers' Deposits	4.50	6,028.61	2,965.15	45.00	9,043.26
Miscellaneous	56,627.08	384,855.22	12,725.00	46,334.67	496,741.95
Interest Accrued	-	8,172.93	283.75	445.25	8,901.93
Taxes Accrued	-	-	-	-	-
Dividends Declared	5,389.16	-	255.50	-	5,624.66
Service Billed in Advance	-	-	-	305,279.33	305,279.33
Reserve for Accrued Depreciation	-	15,447.19	-	74,985.71	90,432.90
Casualty and Insurance Reserves	-	707,000.00	-	-	707,000.00
G.W.P.Co. 1st Mtge. 5% Bonds due G.W.P.Co.	-	31,320.00	-	-	31,320.00
Income Invested since Dec. 31, 1912, in Fixed Capital	-	-	84,000.00	78,790.00	162,790.00
Reserves Invested in Sinking Funds	-	-	-	11,053.12	125,126.36
Other Reserves from Income or Surplus	-	78,239.91	35,833.33	-	114,073.24
TOTAL LIABILITIES	2,386,000.72	52,804,123.26	8,749,062.73	8,289,600.68	72,228,787.39
Corporate Surplus Unappropriated as of December 31st	-	1,168,578.57	18,267.19	1,290,617.39	2,477,463.15
Net Income for Year to Date	-	527,438.63	151,080.50	111,541.21	790,060.34
Dividends on Outstanding Stock	-	-	125,000.00	-	125,000.00
Sinking Fund Appropriations	-	74,886.67	23,333.33	24,163.33	122,383.33
Miscellaneous Deductions from Surplus	-	31,893.42	-	3,165.33	35,058.75
Total Deductions	-	106,780.09	148,333.33	27,328.66	282,442.08
Total Net Income after Deductions	-	420,658.54	2,747.17	84,212.55	507,618.26
Miscellaneous Additions to Surplus	8,797.89	15,704.01	-	4,817.60	29,319.68
Net Surplus for Year to Date	8,797.89	436,362.55	2,747.17	89,030.23	536,937.84
Total Surplus to Date	8,797.89	1,604,941.12	21,014.36	1,379,647.62	3,014,400.99
TOTAL LIABILITIES AND SURPLUS	2,394,798.61	54,409,064.38	8,770,077.09	9,669,248.30	75,243,188.38

The following table shows the earnings and expenses of Great Western Power Company, City Electric Company and California Electric Generating Company for the calendar years ending December 31, 1912, 1913 and 1914, and for the 10 months ending October 31, 1915:

GREAT WESTERN POWER COMPANY, CITY ELECTRIC COMPANY and CALIFORNIA ELECTRIC GENERATING COMPANY

Earnings and Expenses for 1912, 1913, 1914 and 10 Months Ending October 31, 1915.

I T E M	1 9 1 2				1 9 1 3				1 9 1 4				FOR 10 MONTHS ENDING OCTOBER 31, 1915			
	Great Western Power Company	City Electric Company	California Electric Generating Co.	T o t a l	Great Western Power Company	City Electric Company	California Electric Generating Co.	T o t a l	Great Western Power Company	City Electric Company	California Electric Generating Co.	T o t a l	Great Western Power Company	City Electric Company	California Electric Generating Co.	T O T A L
Operating Revenues	\$1,435,029.34	\$974,571.61	---	\$2,409,600.95	\$1,845,702.58	\$1,018,981.21	---	\$2,864,683.85	\$1,989,936.30	\$1,074,080.60	---	\$3,064,016.80	\$1,443,783.40	\$955,811.36	---	\$2,401,594.76
Operating Expenses	777,737.21	573,040.67	---	1,350,777.88	534,090.17	596,555.54	1,793.40	1,132,439.16	457,794.77	79,842.24	2,044.43	1,256,681.44	426,050.78	310,146.31	1,618.76	737,816.35
Net Operating Revenue	657,292.13	401,530.94	---	1,058,823.07	1,311,612.41	422,425.68	1,793.40	1,732,244.69	1,532,141.53	27,238.26	2,044.43	1,807,335.36	1,019,732.62	645,664.55	1,618.76	1,663,778.41
Non-Operating Revenues:																
Rent accrued from lease of electric plant	---	---	238,000.00	238,000.00	---	---	238,319.78	238,319.78	---	---	---	237,094.44	237,094.44	---	---	199,307.59
Miscellaneous Rent Revenues	649.00	---	---	649.00	6,849.10	68.33	---	6,917.43	9,915.00	7.30	---	9,972.30	---	---	---	---
Interest Revenues on Funded Debt Owned	---	---	---	---	6,697.92	---	---	6,697.92	173.50	---	---	173.50	---	---	---	---
Miscellaneous Interest Revenues	12,868.37	6,092.89	3,145.38	22,106.64	245,341.64	48,935.22	3,494.55	297,771.31	266,082.03	5,014.85	3,299.32	322,396.20	---	---	---	---
Miscellaneous Non-Operating Revenues	---	---	---	---	6,087.50	---	---	6,087.50	---	---	---	---	---	---	---	---
Total Non-Operating Revenue	13,517.37	6,092.89	241,145.38	260,755.64	258,956.06	49,003.55	241,814.33	549,773.94	276,170.53	5,072.15	240,393.76	569,636.44	2,283.75	24,805.03	199,307.59	221,829.47
Gross Corporate Income	670,809.50	407,623.83	241,145.38	1,319,578.71	1,570,568.47	471,429.23	240,029.93	2,282,018.63	1,808,312.06	33,310.41	238,349.33	2,376,971.80	1,017,449.47	670,469.58	197,688.83	1,885,607.88
Deductions from Gross Corporate Income:																
Bond Interest	710,195.70	86,583.07	60,000.00	856,778.77	999,678.34	99,218.05	58,526.38	1,157,422.77	1,046,810.89	10,214.16	57,050.01	1,206,075.06	904,333.33	105,586.01	46,308.33	1,056,528.47
Other Interest	4,004.15	3,219.82	---	7,223.97	49,575.33	36,795.83	---	86,371.16	57,888.18	3,000.00	---	93,888.18	38,661.14	357.93	---	39,019.07
Sinking Funds Chargeable to Income	---	12,870.00	28,000.00	40,870.00	---	---	---	---	---	---	---	---	---	---	---	---
Rent Expenses	---	---	---	---	10,912.50	---	---	10,912.50	11,422.85	---	---	11,422.85	---	---	---	---
Rent for lease of other electric plant	---	---	---	---	238,319.78	2,400.00	---	240,719.78	237,094.44	400.00	---	239,494.44	---	---	---	---
Rent for conduits, poles, etc.	---	---	---	---	919.18	---	---	919.18	1,075.60	---	---	1,075.60	---	---	---	---
Amortization of debt discount and expense	---	---	---	---	---	---	---	---	3,531.80	---	---	5,086.71	---	---	---	---
Miscellaneous Rent Deductions	---	---	---	---	585.00	812.40	---	1,397.40	919.92	---	---	1,561.58	---	---	---	---
Uncollectible Bills	---	---	---	---	4,218.89	2,493.78	---	6,712.67	6,084.05	---	---	649.46	---	---	---	---
Total Deductions	714,199.85	102,672.89	88,000.00	904,872.74	1,304,209.02	141,720.06	58,526.38	1,504,455.46	1,366,827.73	14,991.99	57,050.01	1,567,869.73	942,994.47	105,944.74	46,608.33	1,095,547.64
Net Income	43,390.35	304,950.94	153,145.38	414,705.97	266,359.45	329,709.17	181,494.55	777,563.17	441,484.33	18,318.42	181,299.32	809,102.07	74,455.00	564,524.84	151,080.50	790,060.34
Surplus beginning of year	74,530.48	311,716.88	4,586.69	690,843.05	543,930.21	860,892.34	7,732.07	1,412,554.62	826,594.27	72,530.62	10,560.43	1,561,685.32	---	---	---	---
Additions:																
Profit from Income Account	(1) 43,390.35	304,950.94	153,145.38	414,705.97	266,359.45	329,709.17	181,494.55	777,563.17	441,484.33	18,318.42	181,299.32	809,102.07	---	---	---	---
Miscellaneous Additions	515,031.08	7,885.32	---	522,916.40	32,085.26	10,248.82	3,741.25	46,075.33	745.38	---	---	7,233.42	---	---	---	---
Gross Surplus	546,180.21	924,553.14	157,732.07	1,628,465.42	842,374.92	1,200,850.33	192,967.87	2,236,193.12	1,268,823.98	91,337.08	191,859.75	2,378,020.81	---	---	---	---
Deductions:																
Dividends Paid	---	---	150,000.00	150,000.00	---	---	---	---	---	---	---	---	---	---	---	---
Sinking Fund Appropriations	---	---	---	---	---	25,585.00	28,000.00	53,585.00	---	---	---	2,275.00	28,000.00	53,275.00	---	---
Realized Depreciation not covered	---	---	---	---	13,750.47	---	---	13,750.47	20,823.23	---	---	312.98	---	21,136.21	---	---
Appropriations to reserve	---	---	---	---	390.68	441,848.40	---	442,239.08	20,489.32	---	---	44,848.40	---	421,359.02	---	---
Miscellaneous Deductions	2,250.00	63,660.80	---	65,910.80	1,639.50	8,886.21	4,407.44	14,933.25	58,914.86	---	---	42,980.11	4,407.44	97,503.53	---	---
Total Deductions	2,250.00	63,660.80	150,000.00	215,910.80	15,780.65	476,319.71	182,407.44	674,507.80	100,245.41	33,280.31	173,592.56	99,442.34	---	---	---	---
Surplus at end of Year	543,930.21	860,892.34	7,732.07	1,412,554.62	826,594.27	724,530.62	10,560.43	1,561,685.32	1,168,578.57	1,290,617.39	18,267.19	2,477,463.15	---	---	---	---

(1). - Includes \$149,500 Guarantee Account of California Electric Generating Company; also \$357,088.64 interest during construction for years 1909, 1910, 1911.

After this general review of the financial condition of the corporations comprising the Great Western Power System, we shall address ourselves to the specific requests which are now being made for this Commission's authorization.

Great Western Power Company of California asks for an order authorizing the issue of 274,986 shares of its common capital stock having a total par value of \$27,498,600.00, which stock is to be issued to Western Power Company (of New Jersey) in exchange for an equivalent number of shares of common stock of Great Western Power Company now held by the New Jersey corporation and constituting the entire authorized and issued capital stock of Great Western Power Company, with the exception of the shares held by the directors. The net result of this transaction would be that the New Jersey corporation would substitute 274,986 shares of the capital stock of Great Western Power Company of California, the applicant herein, for the 274,986 shares of the capital stock of Great Western Power Company now held by the New Jersey corporation, and that the said shares of common stock of Great Western Power Company would be transferred from the treasury of the New Jersey corporation to the treasury of Great Western Power Company of California, the new California corporation, applicant herein, in exchange for the issue by the latter corporation, under the authority of this Commission, of 274,986 shares of its common capital stock. Of the \$27,500,000.00 par value, of the capital stock of Great Western Power Company now outstanding, \$25,000,000.00, par value, was issued at the time Great Western Power Company was incorporated in 1906 and \$2,500,000.00 was issued at the time Great Western Power Company secured control of City Electric Company in 1911. The properties originally acquired by Great Western Power Company consisted of the properties theretofore held by Western Power Company (of California), Golden State Power Company (of California) and Eureka Power Company (of California), together with certain properties and options held by the so-called Syndicate Managers who were instrumental in the incorporation of ^{Great} Western Power Company.

These properties were acquired by Great Western Power Company in part by deed from Western Power Company (of California) dated October 20, 1906, a copy of which is filed herein as Exhibit "F" and in part by deed from Western Power Company (of New Jersey), a form of which deed is embodied in Exhibit "E" herein.

The deed from Western Power Company (of California) conveyed to Great Western Power Company real property, easements, water rights and other rights constituting the major portion of the properties acquired by Great Western Power Company at or about the time of its incorporation. For these properties, Great Western Power Company paid \$1,000,000.00 face value of its first mortgage bonds and \$500,000.00 par value of the preferred stock of Western Power Company (of New Jersey) which stock was issued by the New Jersey corporation as part of this general transaction.

The deed from Western Power Company (of New Jersey) conveyed to Great Western Power Company the New Jersey Corporation's rights in the following property:

(1) Five certain options to acquire real property, on which options \$8,100.00 had been paid.

(2) All reports and data with reference to the Feather River Water Power Project.

(3) Agreement dated December 18, 1905, between the Syndicate Managers of the Feather River Water Power Project, Western Power Company (of California), Edwin T. Earl and Guy C. Earl.

(4) Agreement dated June 19, 1906, between the Syndicate Managers and Viele, Cooper & Elackwell.

(5) Agreement dated August 24, 1906 between the Syndicate Managers and Frank L. Brown and Brown & Wilson.

(6) All other property theretofore acquired by the New Jersey corporation from the Syndicate Managers.

The New Jersey corporation also agreed to convey or cause to be conveyed to Great Western Power Company all the property of Eureka Power Company and Golden State Power Company; to procure for Great Western Power Company purchasers for \$6,967,000.00 face value of its bonds at 90 per cent of their face value; to issue to Great Western Power Company \$500,000.00 par value of the New Jersey corporation's preferred stock; and to use its best efforts to secure for Great Western Power Company a favorable right of way contract with Western Pacific Railway Company.

Great Western Power Company, in return for these considerations, performed the following acts:

(1) Issued to the New Jersey corporation its capital stock of the par value of \$24,999,000.00 "as fully paid".

(2) Agreed to carry out all the agreements of the Syndicate Managers and the New Jersey corporation under the contracts of the Syndicate Managers hereinbefore referred to.

(3) Executed a demand promissory note to the New Jersey corporation for \$287,191.10.

(4) Agreed to pay promissory note of the Syndicate Managers to Guaranty Trust Company for \$131,722.75, dated August 13, 1906.

(5) Agreed to pay two promissory notes of the Syndicate Managers to Dr. R. V. Pierce, each dated December 30, 1905, and each in the amount of \$194,557.75.

(6) Agreed to pay all moneys paid by the New Jersey corporation in connection with the general project subsequent to August 24, 1906.

(7) Agreed to pay all indebtedness of the Syndicate Managers for legal services and disbursements.

(8) Agreed to authorize an issue of \$25,000,000.00 of bonds and to issue \$6,967,000.00 face value thereof to the New

Jersey corporation at 90 per cent of their face value.

This indenture contains other provisions which it is not at this time necessary to set out.

At the time these transactions were consummated, it was necessary for a California corporation desiring to authorize the issue of bonds to authorize the issue of at least an equivalent amount in par value of capital stock. Hence it was necessary for Great Western Power Company desiring to authorize an issue of \$25,000,000.00 of bonds also to authorize the issue of \$25,000,000.00 par value of capital stock. The plan of the Syndicate Managers, while providing for the issue of \$25,000,000.00 par value of capital stock by Great Western Power Company also provided that "\$8,300,000.00 of the bonds of the California Company or their proceeds are to be used for the payment of all commissions, legal and other expenses, disbursements, obligations, liabilities and advances of whatever character made or incurred, or hereafter made or incurred by the said Syndicate Managers of the Feather River Water Power Project, or made or incurred on account of said Project prior to the formation of said Feather River Water Power Syndicate." It would appear, accordingly, that the capital stock to be issued by Great Western Power Company was a subordinate consideration.

Mr. Mortimer Fleishhacker, in reply to a question whether the \$25,000,000.00 of capital stock of Great Western Power Company was not all issued as a bonus, testified that he did not know how much cash investment this capital stock represented but that he had been informed that it represented considerable expenditures for preliminary investigation and development work.

No inventory and appraisal of the properties acquired by Great Western Power Company were made at the time of acquisition or at any time subsequent thereto. While the officers of Great Western Power Company are of the opinion that the property has a value considerably in excess of the outstanding bonded indebtedness, the

Commission has been unable to ascertain to what extent, if at all, the capital stock of Great Western Power Company, at the time of its issue represented tangible value. There is no evidence as to the value of the consideration received by Great Western Power Company when the corporation issued \$2,500,000.00 par value of its capital stock in connection with the acquisition of the capital stock of City Electric Company. In each instance, this stock was issued prior to the enactment of the Public Utilities Act, at a time when, ^{as} hereinbefore stated, it was necessary for a corporation to authorize capital stock at least up to the face value of its authorized bonded indebtedness, and when bonds and stock could be issued without securing the consent of any regulatory public authority.

Great Western Power Company of California, the applicant herein, earnestly insists that unless it be permitted to issue to the New Jersey Corporation the entire amount of common capital stock hereinbefore referred to, it will be unable to carry forward its financial plan. The situation is complicated by the fact that the New Jersey corporation has issued to the public \$20,670,000.00, par value, of capital stock based almost entirely on the stock of Great Western Power Company held in its treasury. The applicant represents that except in some emergency the capital stock which it desires to issue will be retained in the treasury of the New Jersey corporation or of the New York corporation.

The Commission desires to be of all possible assistance to Great Western Power Company of California in its financing, but at the same time naturally hesitates to give unconditional authority, as long as par value remains on California stock, for the issue of capital stock, unless it is convinced that the capital stock represents value in accordance with the principles heretofore established in this Commission's decisions.

Great Western Power Company of California has expressed a willingness to issue certificates of stock in such form that the Commission's consent to the issue thereof may not be misconstrued. The order herein will accordingly provide that each certificate of the common capital stock issued by Great Western Power Company of California under the order herein or in transfers thereof shall contain, in the body of the certificate, the following language:

"This certificate of stock has been issued pursuant to Decision No. 2985, rendered on December 20, 1915, by the Railroad Commission of the State of California, in Application No. 1999. In said decision the Railroad Commission states that the issue of this stock is authorized only because of the practical necessity of exchanging the same for a like amount of stock of Great Western Power Company, issued before the law of California required the Railroad Commission's consent to the issue of capital stock by public utilities. The Railroad Commission of the State of California in said decision states that it has been unable to ascertain to what extent, if at all, the capital stock of Great Western Power Company, at the time of its issue, represented tangible value."

Great Western Power Company of California will be expected to adopt by resolution of its board of directors a form of common stock certificate containing the foregoing language, which form of certificate shall hereafter be used for the issue and transfers of its common capital stock issued under the order herein.

It should be distinctly understood that the Railroad Commission's action in authorizing the issue of the common capital stock as herein requested, must not be taken as a precedent. The

authorization is being made solely because the capital stock of Great Western Power Company was issued prior to the effective date of the Public Utilities Act and is now outstanding, and because applicant herein earnestly insists that the exchange of an equivalent amount of its common capital stock for the stock of Great Western Power Company now held by the New Jersey corporation, is a condition precedent to the success of further satisfactory financing by Great Western Power System.

Great Western Power Company of California also desires to issue \$5,000,000.00, face value, of 10-year 6 per cent convertible gold debentures at the price of 91 per cent of the face value thereof, together with accrued interest, as hereinbefore set forth. These debentures are to be sold to the New Jersey corporation, which has entered into an agreement with E. H. Rollins & Sons and William P. Bonbright & Co., Incorporated, by which the Purchasers underwrite the debentures at 96 per cent of their face value. Mr. Mortimer Fleishhacker, president of Great Western Power Company of California, testified that although these debentures had been offered by the New Jersey corporation to its stockholders, including the New York corporation, the subscriptions from these sources at 96 were negligible, so that the bankers will be called upon to take over practically the entire issue. At any time on or after November 1, 1917, and before November 1, 1920, the debenture holders may convert them into 7 per cent preferred stock of Great

Western Power Company of California, issued at 95. When the debentures are thus converted into preferred stock, the cost of this money to Great Western Power Company of California will be 8.09 per cent. It is to be presumed that when the Great Western Power System enters upon its permanent financing, it will be able to secure money at a lesser rate of interest. Great Western Power Company of California has submitted copy of a proposed debenture agreement, dated November 1, 1915, with The Equitable Trust Company of New York, which agreement is satisfactory in form.

The petition herein alleges that the proceeds from the sale of said debentures are to be used "for the purposes, or some of the purposes, specified by subdivision b of Section 52 of the Public Utilities Act, and included in the aforesaid financial plan." Subsequent to the hearing, Great Western Power Company of California filed a statement marked "Exhibit D," specifying the purposes to which the money to be derived from the sale of the debentures will be applied. These purposes are as follows:

Transmission line, Big Bend to Oakland	\$1,500,000
Sixth Unit at Big Bend (12500 K.W.)	500,000
Seventh Unit and building at Big Bend (12500 K.W.)	600,000
3rd Bay Cable	150,000
4th Bay Cable	100,000
Three Motor Generator Sets, Oakland	150,000
S.F. Substation (Bush Street)	142,000
Improvements to United Light and Power System, San Francisco	225,000
Distribution lines in San Francisco	550,000
Distribution lines in Oakland	500,000
Distribution lines in Sacramento City	40,000
Extensions and Distribution lines in outside districts	500,000
Substation, Contra Costa Co.	140,000
Substation, Sacramento	30,000
	<hr/>
<u>T O T A L</u>	<u>\$5,127,000</u>

It appears that the foregoing sums are to be expended in additions, betterments and extensions of properties now owned by Great Western Power Company, City Electric Company, Consolidated Electric Company, and possibly also California Electric Generating Company. As the proceeds from the sale of the debentures herein

authorized will go into the treasury of the applicant herein, Great Western Power Company of California, it is obvious that the purposes for which the Commission can authorize the use of these moneys must be in connection with expenditures by Great Western Power Company of California.

When applicant's attention was drawn to this point, applicant filed an amended statement of the purposes to which the moneys to be derived from the sale of the debentures will be applied. This statement is as follows:

\$4,998,000 par value City Electric Stock	\$3,000,000
Transmission line, Big Bend to Oakland	1,500,000
3rd Bay Cable	150,000
4th Bay Cable	100,000

	\$4,750,000

This Commission is not informed as to the value of the capital stock of City Electric Company, ^{for} which stock, under this amended statement, Great Western Power Company of California is to pay three million dollars. We are not informed whether the transmission line from Big Bend to Oakland and the 3rd and 4th Bay Cables are to be installed by and become the property of Great Western Power Company of California or whether it is intended that these properties shall be constructed by and remain the property of some one or more of the other corporations of the Great Western Power System.

While the Commission is in entire sympathy with the use of the proceeds from the sale of the debentures for the purpose of making additions, extensions and betterments to the properties of Great Western Power System in California, the purposes for which said proceeds are to be used have not as yet been stated in such form as to enable the Commission at this time to specify such purposes in its order. When Great Western Power Company of California has filed a satisfactory statement of the purposes for

which the proceeds are to be used, the Commission will make a supplemental order specifying such purposes. In the meantime, the proceeds from the sale of the debentures shall be held by Great Western Power Company of California, in its treasury, or deposited in a bank or banks, subject to supplemental order from this Commission specifying the purposes for which the moneys may be expended.

Great Western Power Company of California also asks this Commission for a general authorization approving the remaining portions of its financial plan. With reference to some of these features, no evidence was presented at the hearing. With reference to other features, applicant itself is as yet unable to specify the details. While the Commission, obviously, can not commit itself to the details of a plan which is as yet presented only in general terms, it is only fair to applicant to say that its general plan of consolidating the properties of Great Western Power System and of thereafter securing the necessary funds for additions and betterments, in part through the execution of a general mortgage on the entire consolidated properties and the issue of bonds thereunder, meets with the hearty approval of this Commission. When the Commission's consent is hereafter asked in the usual formal applications, to enable the constituent public utility corporations of the Great Western Power System to carry out the details of this general plan, the Commission will give careful consideration to the petitions as presented.

It is clear that the general financial plan presented by applicant involves the issue of large amounts of bonds by Great Western Power Company of California, both for the purpose of refunding existing bonds of constituent corporations of the Great Western Power System, as well as for additions and betterments. The constituent corporations of the Great Western Power System have not as yet presented to this Commission an inventory and appraisal of

their properties. The Commission does not know the value of their properties or the relationship between such value and the securities now outstanding. In order that the Commission may be in a position to act intelligently when the formal applications for transfers of property and issues of bonds contemplated by applicant's general financial plan are filed, we suggest that these corporations promptly undertake the preparation of an inventory and appraisal of the properties of the Great Western Power System, so that the same may be presented to the Commission in completed form a reasonable time in advance of the filing of such formal applications.

O R D E R.

GREAT WESTERN POWER COMPANY OF CALIFORNIA having applied to the Railroad Commission for an order authorizing the issue of capital stock and of debentures, the execution of a debenture agreement and the approval of a general financial plan, and a public hearing having been held upon said application, and the Railroad Commission finding that said application should be granted to the extent to which this order hereafter specifies,

IT IS HEREBY ORDERED AS FOLLOWS:

1. Great Western Power Company of California is hereby authorized to issue 274,986 shares of its common capital stock of the par value of \$100.00 per share, to Western Power Company (of New Jersey) in exchange for 274,986 shares, of the par value of \$100.00 per share, of the capital stock of Great Western Power Company, now held by ~~Great~~ Western Power Company (of New Jersey), provided that Great Western Power Company of California shall first have secured from the Railroad Commission a supplemental order specifying that said company has adopted a form of certificate for such common capital stock as directed in the opinion herein.

2. Great Western Power Company of California is hereby

authorized to issue its 10-year 6 per cent convertible gold debentures of the total face value of \$5,000,000.00, to be dated November 1, 1915, and payable November 1, 1925, and to execute a debenture agreement with The Equitable Trust Company of New York in substantially the form of the draft of debenture agreement which is dated November 1, 1915, and marked "Exhibit B," attached to the petition herein, on the following conditions and not otherwise, to-wit:

(a) Great Western Power Company of California shall issue said debentures so as to net not less than 91 per cent of the face value thereof, plus accrued interest.

(b) Great Western Power Company of California shall use the proceeds from the issue of said debentures only for such purpose or purposes as shall hereafter be specified by the Railroad Commission in a supplemental order, after Great Western Power Company of California shall have presented to the Railroad Commission a satisfactory statement, in accordance with the provisions of Section 52 of the Public Utilities Act, of the purpose or purposes for which said company intends to use said proceeds.

(c) Great Western Power Company of California shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the debentures hereby authorized to be issued, and on or before the 25th day of each month, the company shall make a verified report to the Railroad Commission, stating the sale or sales of said debentures during the previous month, the terms and conditions of sale, the moneys realized therefrom and the disposition of such moneys, all in accordance with the provisions of this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

(d) No debentures shall be issued hereunder until Great Western Power Company of California has paid the fee specified in Section 57 of the Public Utilities Act.

(e) The authority hereby given to issue debentures shall apply only to debentures issued by Great Western Power Company of California on or before January 1, 1917.

3. Great Western Power Company of California is hereby authorized to issue its 7 per cent preferred capital stock at not less than 95 per cent of its par value, at any time on or before November 1, 1920, in exchange for debentures herein authorized, and in accordance with the provisions of Article IV of said debenture agreement, provided that Great Western Power Company of California shall report to the Railroad Commission the issue of said preferred stock, the proceeds derived therefrom and the disposition of said proceeds as provided in Section 2 of this order with reference to the debentures.

4. The Railroad Commission approves of the general plan of consolidating the properties of the Great Western Power

System and of thereafter executing a general mortgage and issuing bonds thereunder for proper purposes and in proper amounts as may hereafter be authorized by the Railroad Commission, but can not commit itself, in advance of the presentation of the usual formal application or applications, to the details of such general plan.

Dated at San Francisco, California, this 20th day of December, 1915.

Max Thebein
W. J. ...
...
...
Frank ...
Commissioners.