

Decision No. ✓

ORIGINAL

Decision No. 3073

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

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In the Matter of the Application of )  
 NORTHERN CALIFORNIA POWER COMPANY. )  
 CONSOLIDATED, for authority to enter )  
 into a certain agreement for the )  
 extension of the time of payment for )  
 certain outstanding debentures issued )  
 by it. )

ApplicationNo. 2054.-----  
Jared How for applicant.

DEVLIN, Commissioner.

OPINION.

In this application NORTHERN CALIFORNIA POWER COMPANY CONSOLIDATED asks for an order authorizing it to enter into an agreement with its Series "A" debenture holders whereby the payment of the debentures is postponed to February 1, 1920. A copy of the proposed agreement is attached to the application herein and marked Exhibit "B".

Northern California Power Company Consolidated was incorporated under the laws of the State of California August 28, 1908. At the time of its organization, it purchased the properties of Northern California Power Company. The vendor had acquired the properties owned by Keswick Electric Power Company, Redding Electric Light Company, Redding Water Company, Tehama Electric Company, Red Bluff Electric Light and Gas Company, Battle Creek Power Company and Willows Light and Water Company.

This company operated in the northern portion of the Sacramento Valley. The same territory was served by The Sacramento Valley Power Company, which in turn was con-

trolled through stock ownership by Sacramento Valley Power Company.

On February 1, 1912, Northern California Power Company Consolidated entered into an agreement for the purchase of the properties of The Sacramento Valley Power Company. This agreement of sale and purchase followed actual and threatened litigation over water rights and an acute competitive rate struggle. During the early period of the "rate war", The Sacramento Valley Power Company, or its predecessors, competed with Northern California Power Company Consolidated in Shasta and Tehama counties. Later, the lines of The Sacramento Valley Power Company were extended into Glenn County. At the time the agreement of sale was executed, The Sacramento Valley Power Company lines covered practically all the territory in which Northern California Power Company Consolidated operated. The latter company did not operate in Chico where The Sacramento Valley Power Company was in competition with the Pacific Gas and Electric Company.

Concurrently with the execution of the agreement of sale and as expressed in said agreement, The Sacramento Valley Power Company agreed to deposit with Anglo-California Trust Company, as escrow holder, a deed, conveyance and bill of sale of all its property, real and personal, of every description to Northern California Power Company Consolidated. By the terms of the agreement, Northern California Power Company Consolidated agrees to pay all floating debt of The Sacramento Valley Power Company and of Sacramento Valley Power Company; to execute its promissory note payable to The Sacramento Valley Power Company for the sum of \$860,500; to guarantee by the endorsement of each bond the payment of \$400,000.00 face value of bonds of Sacramento Valley Power Company and \$500,000.00 face value of bonds of The Sacramento Valley Power Company; and to enter into an agreement with the stock-

holders of Sacramento Valley Power Company and The Sacramento Valley Power Company for the purchase of the stock owned by them. The guaranty to be endorsed upon the bonds of Sacramento Valley Power Company and The Sacramento Valley Power Company reads as follows:

"The payment of interest and principal of the amount mentioned in the bond (and coupons thereto attached) upon which this writing is endorsed, is hereby guaranteed and the undersigned agrees to pay such principal and interest at such time as is specified in said bond and coupons thereto attached.

NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED,

By \_\_\_\_\_  
President.

Attest \_\_\_\_\_  
Secretary."

The promissory note for the sum of \$860,500.00 executed to The Sacramento Valley Power Company is payable July 1, 1941, or before, at the option of the maker with interest at the rate of 3 per cent. per annum, payable upon the maturity of said note without compounding. The note shall be delivered to the Anglo-California Trust Company and held by it subject to the escrow agreement. Upon the performance of the agreement of sale, the note shall be delivered to The Sacramento Valley Power Company. As will be recited hereafter, if the agreement of sale is performed, Northern California Power Company, Consolidated, will become the owner of all the stock of The Sacramento Valley Power Company, and thus virtually owe the indebtedness to itself.

The agreement of sale further provides for the dismissal of various suits between the Northern California Power Company, Consolidated and The Sacramento Valley Power Company, or its subsidiaries; the maintenance of certain actions in statu quo pending the performance of the agreement of sale

and the substitution of Northern California Power Company, Consolidated, as plaintiff in certain actions brought by The Sacramento Valley Power Company or its subsidiaries. The agreement also provides that on its execution Northern California Power Company, Consolidated shall be given possession of all the properties or assets of every description belonging to The Sacramento Valley Power Company. Upon the full performance of the agreement of sale, the aforementioned deed, conveyance and bill of sale shall be delivered to Northern California Power Company, Consolidated.

The application now before the Commission relates specifically to the agreement between Northern California Power Company, Consolidated and the stockholders of The Sacramento Valley Power Company and Sacramento Valley Power Company. To acquire the stock of these companies, Northern California Power Company, Consolidated issued \$860,500.00 face value of 6% Series "A" debentures. The debentures are issued under an agreement dated February 1, 1912. The agreement recites that Sacramento Valley Power Company has an authorized capital stock issue of \$800,000 divided into 400,000 shares of the par value of \$2.00 per share. Stock in the amount of \$382,813 is outstanding. It further recites that The Sacramento Valley Power Company has an authorized capital stock of \$2,000,000 divided into 100,000 shares of the par value of \$20.00 per share. Of the outstanding stock amounting to \$1,314,000, stock in the amount of \$800,000 is owned by Sacramento Valley Power Company.

The agreement entered into with the stockholders requires all those who sign the agreement to deposit their stock with Anglo-California Trust Company, trustee, to be held subject to the terms of the agreement. As payment for the

purchase price of the stock, Northern California Power Company, Consolidated agrees to deposit with the Anglo-California Trust Company \$896,000 face value of its refunding and consolidating mortgage 5 per cent. sinking fund 40-year gold bonds, dated December 1, 1908.

In addition to the deposit of the bonds, Northern California Power Company, Consolidated issued its debentures heretofore referred to for the sum of \$860,500. The debentures are dated February 1, 1912 and mature February 1, 1915, unless the company avails itself of an option to extend the payment thereof one year. They bear interest at the rate of 6 per cent per annum.

The debentures are payable at maturity, or at any time before, in cash; or at the option of Northern California Power Company, Consolidated shall be canceled by the release of all or part of said \$896,000 of bonds deposited with the trustee at 96 per cent of par.

Of the debentures, the sum of \$296,600 face value shall be delivered by the escrow holder to the stockholders of The Sacramento Valley Power Company, provided they deposit \$514,000 par value of stock; and \$563,900 face value of debentures shall be delivered to the stockholders of Sacramento Valley Power Company, provided they deposit not less than \$350,000 par value of the stock out of a total of \$382,813 par value of stock outstanding.

Upon the payment of the debentures, or any part thereof, by Northern California Power Company, Consolidated, the bonds deposited to release the debentures paid in cash shall be returned to the company.

Northern California Power Company, Consolidated agrees that beginning January 1, 1913, and monthly thereafter, it will deposit with Anglo-California Trust Company the sum

of \$5,000.00. The deposits shall be used to pay off debentures in the order of their presentation to the trust company.

If the debentures are not paid on the day of maturity, the shares of stock deposited shall be returned to the depositors, provided that such delivery shall not be made until after the expiration of 12 months from the date of maturity of said debentures, if in the meantime the interest is duly paid thereon. If the company pays the debentures and performs the contract of sale, the stock of Sacramento Valley Power Company and The Sacramento Valley Power Company shall be delivered to Northern California Power Company, Consolidated. Likewise, the deed, conveyance and bill of sale deposited in escrow shall be delivered to Northern California Power Company, Consolidated.

Applicant now proposes to enter into a new agreement, dated May 3, 1915, with the Series "A" debenture holders, in which they are asked <sup>and agree</sup> to waive their right to insist on the payment of the debentures for a period of four years, to and including February 1, 1920. In the meantime, the company agrees to continue to deposit with Anglo-California Trust Company monthly the sum of \$5,000 to be applied pro rata to the payment of registered debentures. In the event that the holders of less than 90% in amount of the debentures sign the new agreement, the monthly payment shall be reduced proportionately. The company is given the option to pay the debentures in cash or in bonds heretofore deposited with Anglo-California Trust Company, provided said bonds are taken at 85 per cent. of their face value and accrued interest at the date of delivery.

The debenture holders upon signing the agreement shall deposit their debentures with the trustee. If the agreement is not signed by the holders of at least 75 per cent of the outstanding debentures within 60 days from the

date of the agreement, the trustee shall redeliver the debentures to the parties having deposited them. If on the other hand, a 75 per cent sign the agreement the trustee shall register the debentures and stamp on the back of said debentures a brief statement that the time of payment of said debentures has been conditionally extended to February 1, 1920. Thereafter, the debentures shall be redelivered to the depositors thereof.

The registered holder of any debenture shall be regarded for all purposes as the absolute owner thereof, and payment of or on account of the principal or interest of said debentures shall be made only to or upon the order of the registered holder thereof. No transfer is valid unless made on the books by the registered holder in person, or by his attorney duly authorized, and said transfer noted on the debentures.

No interest coupons are to be attached to the debentures.

Northern California Power Company, Consolidated agrees to pay the interest on the debentures until said debentures are paid. The company agrees that it will pay to the trustee the amount of interest prior to August 1 and February 1 of each year up to and including February 1, 1920, unless said debentures are paid before that date. The trustee will pay the interest to the registered owners. All payments made by the trustee, whether for principal or interest, shall be made by its own checks and the endorsement of the same shall be considered sufficient receipt. The proposed agreement further provides that it in no way shall effect or modify the rights of holders of debentures who refuse to sign said <sup>agreement.</sup> They retain all the rights they secured under the original agreement dated February 1, 1912.

Applicant reports that of the \$860,500 face value of debentures issued February 1, 1912, it has paid and canceled \$190,500, leaving \$670,000 outstanding. The holders of all of the debentures except persons holding approximately \$30,000, have signed the new agreement. The holders of some

of the \$30,000 have as yet not been located, and it is assumed that many of these will also sign the agreement.

In the application herein, Northern California Power Company Consolidated asks this Commission, if it shall be of the opinion that its jurisdiction applies hereto, to make its order authorizing the applicant to enter into an agreement providing for the extension of the time for the payment of the \$670,000.00 of debentures to February 1, 1920 in the form presented, or in such substantially similar form as shall be agreed upon by the parties thereto "to the end that the time of payment of such outstanding debentures and all thereof shall and may be extended to and until said first day of February, 1920. "

At the hearing, the attention of the attorney for Northern California Power Company Consolidated was directed to the circumstance that the approval by the Commission of the contract now presented between the applicant and the holders of its \$670,000 of debentures might inferentially be construed as an approval of the contracts between Northern California Power Company, The Sacramento Valley Power Company and Sacramento Valley Power Company, dated February 1, 1912, and the acts therein agreed to be performed. Attorney for applicant thereupon waived a request for the approval by the Commission of those contracts and of the acts thereunder agreed to be performed, on the ground that the agreements had been entered into before this Commission assumed jurisdiction over the matters covered therein, and on the further ground that their approval was not pre-requisite to a determination of the particular matter at issue. He requested on behalf of the applicant that the Commission limit its findings to a determination of its jurisdiction over an agreement between Northern California Power Company Consolidated and the holders of its \$670,000.00 of Series "A" debentures providing for an extension of the payment of said debentures and to the approval of such an agreement.

The applicant has therefore limited its request



herein so that it will be unnecessary for this Commission to pass upon the contracts <sup>dated February 1, 1912,</sup> heretofore mentioned between Northern California Power Company Consolidated, The Sacramento Valley Power Company and Sacramento Valley Power Company, the acts performed and agreed to be performed thereunder and the Commission's jurisdiction thereover.

Certain protests have been filed against the approval of an agreement for the extension of the payment of the \$670,000 of debentures by certain parties who now call for the satisfaction of the debt due. It appears, however, that out of \$670,000 of debentures, the holders of \$640,000 have agreed to the extension. These debentures do not constitute a lien and the holders thereof have the statutory remedies. I do not believe that the application should be denied as to the right of the holders of \$640,000 of debentures to postpone the date of the maturity of these obligations on the showing made by the protestants. It appears further that Northern California Power Company Consolidated has assessed its stockholders \$6.00 per shares within the last two years and has raised from the assessments the sum of \$600,000. It was further stated that it would be the policy of the company to levy further assessments if need be.

The applicant asked the Commission for an order only in case that it should determine that it has jurisdiction over such an agreement as is here proposed. It may well be that an agreement for the postponement of the payment of an obligation by a public utility may be in a form which would not require the approval of this Commission. On the other hand, it may also well be that such an agreement could be drawn in a form that would necessitate such an approval by this Commission. As the applicant has specifically requested that the Commission

assume jurisdiction and issue its order, it will be unnecessary to go into this feature of the application at great length.

Under all of the circumstances of this case, I am persuaded that this Commission should not refuse to permit the parties to enter into such an arrangement as is herein proposed, subject to the conditions found in the order herein. I am persuaded that it is advantageous both to the applicant and to its debenture holders to arrange for a postponement of the date of maturity of these debentures on the conditions suggested that the applicant should pay the sum of \$5,000.00 monthly on account. This determination is reached the more readily in view of the general conditions which this applicant now faces and which are reflected in its financial statements which follow.

Applicant reports assets and liabilities as of November 30, 1915, as follows:

ASSETS:

Fixed Capital:  
Plant Investment, . . . . . \$10,011,472.14

Investments:  
Stock in other corporations, . . . . . 250.00

Current Assets:  
Cash, . . . . . \$202,394.80  
Notes Receivable, . . . . . 2,331.63  
Accounts Receivable, . . . . . 77,197.42  
Interest and Dividends  
Receivable, . . . . . 156.23  
Materials and Supplies, . . . . . 91,127.88

Total Current Assets, . . . . . 373,207.96

Prepayments:  
Taxes, . . . . . 3,675.51  
Insurance, . . . . . 29.94  
Rents, . . . . . 37.56

Total Prepayments, . . . . . 3,743.01

Deferred Assets:  
Sinking Funds, . . . . . 262.71  
Special deposits, Series "A"  
debentures, 30,000.00  
Unamortized discount on  
capital stock, . . . . . 8,000,000.00

Total Deferred Assets, . . . . . 8,030,262.71

Suspense:  
Accounts Receivable - over  
90 days old, . . . . . 27,248.44  
Valuation Account, . . . . . 45,672.67  
Noble Electric Steel Co., 49,307.90  
Oro Electric Corporation, 3,818.04  
Intangible Capital, . . . . . 2,500.28  
Debt Discount and Expenses-  
Unamortized, . . . . . 333.40  
Supply Expense, . . . . . 3,474.28  
General, . . . . . 21,257.65

Total Suspense, . . . . . 153,612.66

TOTAL ASSETS, . . . . . 18,572,548.48

## LIABILITIES:

### Stock:

Common Stock, . . . . .	\$10,000,000
Assessments, . . . . .	<u>599,320</u>

Total Stock and Assessments, . . . \$10,599,320.00

### Funded Debt:

Consolidated Bonds, . . . . .	3,964,000
Underlying Bonds, . . . . .	943,000
Guaranteed Bonds, . . . . .	900,000
Debenture Notes, . . . . .	<u>1,154,500</u>

Total Funded Debt, . . . . . 6,961,500.00

### Current Liabilities:

Accounts Payable - vouchers, . .	30,225.46
Payrolls, . . . . .	16,761.10
Coupon interest matured, . . .	11,525.00
Meter Deposits, . . . . .	<u>2,093.90</u>

Total Current Liabilities, . . . . . 60,605.46

### Accrued Liabilities:

Unmatured Coupon Interest, . .	139,465.00
Unmatured loan interest, . . .	<u>700.00</u>

Total Accrued Liabilities, . . . . . 140,165.00

### Reserves:

Reserves invested in sinking fund, . . . . .	231,262.71
Reserve for Accrued Depreci- ation, . . . . .	<u>123,677.09</u>

Total Reserves, . . . . . 354,939.80

### Suspense:

Rentals collected in advance, . .	35.41
Miscellaneous, . . . . .	<u>7,013.69</u>

Total Suspense, . . . . . 7,049.10

Surplus, . . . . . 448,969.12

TOTAL LIABILITIES, . . 18,572,548.48

During the eleven months ending November 30, 1915, applicant reports a reduction in its outstanding underlying bonds amounting to \$21,000; in Series "A" debenture notes a reduction of

\$158,731.20 and in coupon interest matured a reduction of \$113,256.00. The major portion of the funds necessary to effect these reductions were obtained from assessments levied on stockholders. On November 30, 1915, the financial statement of applicant showed cash on hand from assessments amounting to \$188,926.00.

If we estimate applicant's earnings and expenses for month of December, 1915, to be about the same as during the preceding month, applicant reports earnings and expenses as follows:

I t e m	1 9 1 5	1 9 1 4	1 9 1 3
Operating Revenues	\$781,570.59	\$771,186.57	\$824,494.72
Operating Expenses	359,257.90	346,447.92	349,703.25
Net Operating Revenue	422,312.67	424,738.65	474,791.47
Bond and other Interest	363,552.31	365,998.51	351,585.93
Earnings in excess of Interest	58,760.36	60,740.14	123,205.54

The operating expenses include taxes. The operating expenses for 1913 include the sum of \$74,219.32 because of depreciation; for 1914 the sum of \$52,817.33 and for 1915 the sum of \$16,272.21. The earnings in excess of interest are the amounts available for miscellaneous purposes such as payment of rent, amortization of debt discount and expenses, writing off uncollectible bills and for other general purposes.

In view of the facts heretofore stated, I recommend that the application herein requested be granted and recommend the following form of order.

O R D E R.

NORTHERN CALIFORNIA POWER COMPANY CONSOLIDATED having applied to this Commission for authority to enter into an agreement with the holders of its \$670,000.00 of Series "A" debentures, dated February 1, 1912, or the holders of more than 75 per cent. thereof, providing for the extension of the maturity of said debentures from February 1, 1916 to February 1, 1920; said debentures bearing interest at 6 per cent per annum; said agreement to provide for the payment by Northern California Power Company Consolidated of \$5,000.00 monthly on account of the principal sum of said debentures,

And a hearing having been held and it appearing that said application should be granted,

IT IS HEREBY ORDERED that Northern California Power Company Consolidated be granted authority, and it is hereby granted authority, to enter into an agreement with the holders of its \$670,000.00 of Series "A" debentures, dated February 1, 1912, or more than 75 per cent. of the holders thereof, providing for the postponement of the maturity of said debentures from February 1, 1916 to February 1, 1920; said debentures to bear interest at the rate of 6 per cent. per annum; and said agreement to provide that Northern California Power Company Consolidated shall pay monthly \$5,000.00 on account of the principal of said \$670,000.00 of Series "A" debentures.

IT IS HEREBY FURTHER ORDERED that the approval herein given to Northern California Power Company Consolidated to enter into an agreement for the postponement of the maturity of \$670,000.00 of Series "A" debentures is given on the condition that Northern California Power Company Consolidated file with this Commission a statement that such approval shall not be construed as an approval of the agreements dated February 1, 1912, heretofore made between Northern

California Power Company Consolidated, The Sacramento Valley Power Company and Sacramento Valley Power Company, nor the acts performed thereunder, and that such approval as has herein be given shall not be construed as a determination of the value of the properties of Northern California Power Company Consolidated, or The Sacramento Valley Power Company, Sacramento Valley Power Company, or any of them.

Northern California Power Company Consolidated shall file with this Commission a copy of such contract as it may enter into with the holders of its \$670,000.00 of Series "A" debentures, or the holders of more than 75 per cent. of such debentures, providing for the extension of the maturity of said debentures to February 1, 1920.

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 2nd day of February, 1916.

W. H. Loveland

Edwin C. Edgerton

Frederic R. Dehn

Commissioners.