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ORIGINAL

Decision No.           

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
SIERRA AND SAN FRANCISCO POWER COM- )  
PANY for an order authorizing the ) Application No. 2586.  
issuance of first mortgage bonds of )  
the face value of \$1,000,000. )

Chickering and Gregory, by George H. Whipple,  
for applicant.

DEVLIN, Commissioner.

O P I N I O N .

This is an application of Sierra and San Francisco Power Company for authority to issue and sell \$1,000,000 face value of its first mortgage five per cent forty-year gold bonds at eighty-five per cent of their face value and accrued interest, for the purpose of reimbursing its treasury for expenditures heretofore made in connection with the construction of its generating and distributing systems.

Applicant's properties consist of a main hydro-electric plant located on the middle fork of the Stanislaus River at a place known as Stanislaus, about fourteen miles from Angels Camp. It also has hydro-electric plants at Phoenix, about four miles from Sonora, Tuolumne County, and at Knights Ferry, Calaveras County. The Company also has two steam generating plants in the City of San Francisco. The capacity of these plants is as follows:

Stanislaus, Tuolumne County.....	34,000 K.W.
Phoenix, Tuolumne County.....	1,875 K.W.
Knights Ferry, Stanislaus County....	1,500 K.W.
North Beach, San Francisco.....	18,000 K.W.
Bryant Street, San Francisco.....	<u>3,200 K.W.</u>

Total..... 58,575 K.W.

The Company also owns water rights on the middle fork of the Stanislaus River, on the south fork of the Stanislaus River and on the north fork of the Tuolumne River, also upon several streams in Calaveras County. The Company has a main 100,000 volt transmission line from its Stanislaus power house through the counties of Tuolumne, Calaveras, Stanislaus, San Joaquin, Alameda, Santa Clara and San Mateo to Bay Shore, and a stepdown substation near the northern county line of San Mateo County, with additional 100,000 volt substations at Copperopolis, Calaveras County, Manteca, San Joaquin County, and Port Marion, Santa Clara County, and a 60,000 volt transmission line from Port Marion, Santa Clara County, south through Santa Clara, San Benito and Monterey counties to the City of Salinas, Monterey County. The Company also has an 11,000 volt distribution line throughout the City and County of San Francisco and a secondary 17,000 volt transmission system in the counties of Tuolumne, Calaveras, Stanislaus, San Joaquin, Contra Costa and Alameda.

Applicant's largest consumer is the United Railroads of San Francisco, both companies being controlled by the same interests. Under a contract dated August 31, 1909, applicant furnishes power to the United Railroads at \$0.0075 per kilowatt hour. This contract is for a term of 44 years.

Sierra and San Francisco Power Company was incorporated on May 29, 1909, under the laws of the State of California, for

the purpose of acquiring the properties of the Stanislaus Electric Power Company and Tuolumne Water Power Company, which were then in the hands of receivers. Applicant was incorporated with an authorized capital stock issue of \$20,000,000, all of which stock has been issued and is now owned by California Railway and Power Company, a holding corporation controlled through stock ownership by United Railways Investment Company.

In order to complete the reorganization of the properties acquired at Receiver's Sale, and to provide funds for future additions and betterments, applicant has placed mortgages on its properties as follows:

(A). A first mortgage dated August 31, 1909, United States Mortgage and Trust Company, trustee, supplemented and amended by a supplemental indenture of first mortgage dated July 27, 1910. The bonds issued thereunder are known as First Mortgage Five Per Cent Forty-year Gold Bonds, are dated August 1, 1909, and mature August 1, 1949. The issue is originally limited to \$10,500,000, but is subject to an increase to a total of \$30,000,000. These bonds are callable at 110 and are secured by a lien upon all the property of the corporation.

The indenture under which these bonds are issued provides that \$6,500,000 may be issued immediately for additions and betterments or to pay interest on first mortgage bonds during construction. The indenture further provides that \$1,000,000 face value of bonds may be issued from time to time upon certificates showing that the Company has acquired certain property or performed certain work in connection with its generating or distributing systems. The balance of the bonds may only be issued against eighty per cent of the cost of additions and betterments when the net earnings of the Company for the twelve months next

preceding are not less than twice the interest charges on the bonds outstanding and applied for.

(B). A second mortgage dated August 31, 1909, Knickerbocker Trust Company, trustee, supplemented and amended by supplemental indenture of second mortgage dated July 27, 1910. Columbia Trust Company has since succeeded Knickerbocker Trust Company as trustee under this mortgage. The bonds issued thereunder are divided into two series, known as "Series A" and "Series B", respectively. Series A bonds bear interest at six per cent per annum, are dated July 1, 1910, and mature January 1, 1949. They are callable at 105 and are denominated a prior lien over the second mortgage bonds, Series B. Series B bonds are dated January 1, 1909, and mature January 1, 1949. These bonds bear interest at five per cent per annum and until January 1, 1916, applicant had the option of paying the interest in additional bonds of the same issue and series. These bonds are callable at 105.

At the present time applicant has bonds outstanding as follows:

First mortgage bonds.....	\$6,500,000
Second mortgage bonds, Series A .....	1,000,000
" " " , Series B .....	<u>8,463,000</u>
Total .....	\$15,963,000

Of the Series B bonds outstanding, \$2,013,000 face value were issued as follows:

December 31, 1910 .....	\$161,250.00
to pay interest on Series B bonds due	
January 1, 1911:	
June 30, 1911 .....	165,281.25
to pay interest on Series B bonds due	
July 1, 1911:	
December 31, 1911 .....	169,413.28
to pay interest on Series B bonds due	
January 1, 1912:	
On March 21, 1912 there were deposited in	
escrow with the Knickerbocker Trust Com-	
pany to pay coupons maturing between	
March 20, 1912 and July 1, 1916, bonds	
to the face value of .....	<u>1,517,055.47</u>
Total Series B bonds issued to	
pay interest .....	\$2,013,000.00

The issue of these bonds was not authorized by the Railroad Commission. The Commission assumed its jurisdiction over the issue of stocks and bonds on March 23, 1912.

Following is an abstract of applicant's balance sheet for the year ending December 31, 1915, and an abstract of its income and profit and loss accounts for the years ending December 31, 1912, 1913, 1914 and 1915.

Balance Sheet of the Sierra and San Francisco Power Co.,  
For the Year Ended December 31, 1915.

ASSETS		Amount	LIABILITIES		Amount
Fixed Capital Installed prior to Jan. 1, 1913 (Elec.)		\$33,905,578.54	Capital Stock		\$20,000,000.00
Fixed Capital Installed since Dec. 31, 1912 (Elec.)		649,009.50	Funded Debt		16,000,000.00
Fixed Capital Installed since Dec. 31, 1912 (Water)		<u>709,196.63</u>	Accounts Payable		
			Audited Vouchers & Wages Unpaid		<u>92,228.95</u>
<b>Total Fixed Capital</b>		<b>\$35,263,784.67</b>	Consumers Deposits		2,670.69
Cash and Deposits:-			Miscellaneous		<u>34,066.80</u>
Cash		102,791.36	<b>Total</b>		<b>\$128,966.44</b>
Special Deposits		<u>670,448.92</u>	Interest Accrued		135,416.66
<b>Total</b>		<b>\$773,240.28</b>	Taxes Accrued		33,628.29
Notes Receivable		20,150.00	Reserve for Accrued Depreciation		145,187.46
Accounts Receivable			Casualty & Insurance Reserves		18,967.45
Due from Consumers & agents		365,029.22	Interest Matured		507,948.92
Miscellaneous		<u>5,929.51</u>			
<b>Total</b>		<b>\$370,958.73</b>			
Materials and Supplies		115,962.53			
Treasury Securities		37,000.00			
Prepaid Expenses:-					
Prepaid Rents		16.80*			
Prepaid Insurance		2,237.74			
Other Prepayments		<u>5,760.00*</u>			
<b>Total</b>		<b>3,539.06*</b>			
Other Suspense		4,738.54			
Reclamation and Irrigation District Warrants		2,048.51			
Reserve for Extraordinary Maintenance		1,051.03			
Corporate Deficit		<u>384,719.99</u>			
<b>Total Assets</b>		<b>\$36,970,115.22</b>	<b>Total Liabilities</b>		<b>\$36,970,115.22</b>

\*Red.

Statement Showing Comparative Income and Profit  
and Loss Accounts of the Sierra and San Fran-  
cisco Power Co., for the Years Ended  
December 31.

I T E M	1 9 1 2	1 9 1 3	1 9 1 4	1 9 1 5
Electric Operations:-				
Operating Revenues	\$929,523.63	\$1,031,620.38	\$1,087,238.85	\$1,227,825.97
Operating Expenses	<u>374,839.14</u>	<u>477,789.71</u>	<u>479,779.22</u>	<u>489,592.91</u>
Net Operating Revenue	\$554,684.49	\$ 553,830.67	\$ 607,459.63	738,233.06
Water Operations:-				
Operating Revenues	-	42,597.88	38,487.47	37,281.63
Operating Expenses	<u>-</u>	<u>27,470.26</u>	<u>26,812.49</u>	<u>23,104.64</u>
Net Operating Revenue	-	15,127.62	11,674.98	14,176.99
Total Net Operating Revenue	\$554,684.49	\$ 568,958.29	\$ 619,134.61	\$ 752,410.05
Non Operating Revenues:-				
Miscellaneous Rent				
(Electric)	862.88	1,798.57	403.63	339.00
" Interest	10,443.32	12,468.56	12,838.55	13,532.01
" Rent(Water)	-	200.95	323.00	-
Other non operating Revenue	<u>5,108.23</u>	<u>88.16</u>	<u>-</u>	<u>2,617.08</u>
Total	16,414.43	14,556.24	13,565.18	16,488.09
Gross Corporate Income	<u>571,098.92</u>	<u>583,514.53</u>	<u>632,699.79</u>	<u>768,898.14</u>
Deductions:-				
Uncollectible Bills	-	667.55	1,357.63	3,805.66
Bond Interest	<u>697,362.75</u>	<u>743,034.03</u>	<u>752,906.70</u>	<u>764,288.80</u>
Total	\$697,362.75	\$743,701.58	\$754,264.33	\$768,094.46
Balance Carried to Profit and Loss	\$126,263.83*	\$160,187.05*	\$121,564.54*	803.68

\*Figures not segregated according to departments.

\*Red.

Statement Showing Comparative Income and Profit  
and Loss Accounts of the Sierra and San Fran-  
cisco Power Co., for the Years Ended  
December 31.

( C o n t i n u e d ).

<u>I T E M</u>	<u>1 9 1 2</u>	<u>1 9 1 3</u>	<u>1 9 1 4</u>	<u>1 9 1 5</u>
<u>Profit &amp; Loss Account:-</u>				
Balance at Beginning of Year	\$432,458.99	\$117,076.60*	\$281,525.05*	\$390,538.62*
Balance from Income Account	126,263.83*	160,187.05*	121,564.54*	803.68
Miscellaneous Additions to Surplus	-	2,000.05	23,446.66	8,990.14
Total	\$306,195.16	\$275,263.60*	\$379,642.93*	\$380,744.80*
<u>Deductions for Year:</u>				
Depreciation not covered by Reserves	-	1,261.45	9,662.15	-
Bond Interest for 1911	415,319.53	-	-	-
Miscellaneous Deductions	7,952.23	5,000.00	1,233.54	3,975.19
Total	\$423,271.76	\$ 6,261.45	\$10,895.69	\$3,975.19
Balance at Close of Year	\$117,076.60*	\$281,525.05*	\$390,538.62*	\$384,719.99*

\*Red.



In support of its application for reimbursement for expenditures heretofore made, applicant has filed a statement of expenditures from May 1, 1913 to August 31, 1916, totalling \$1,272,087.06.

The principal item in these expenditures is the construction of the so-called "Strawberry Dam" on the south fork of the Stanislaus River. The Company has also expended large sums in the extension of its distribution system and in the construction and equipment of substations, etc.

These expenditures were made possible by the payment of the interest on applicant's second mortgage Series B bonds by bonds of the same issue in lieu of cash. The second mortgage provides that the net earnings of the Power Company that would otherwise have been applicable toward the payment of bond interest shall be expended in the acquisition of certain classes of securities or for additions and betterments. It further provides that money so applied may be used as a basis for the authentication and issue of first mortgage bonds under the terms of the first mortgage.

Although the above expenditures total \$1,272,087.06, applicant at the present time is only asking for authority to issue \$1,000,000 face value of bonds. Applicant desires authority to sell the \$1,000,000 of bonds applied for at eighty-five per cent of their face value and accrued interest under the terms of an option dated July 29, 1910, to N. W. Harris and Company, now Harris, Forbes and Company. An inspection of the property was made for Harris, Forbes and Company by Mr. W. A. Brackenridge, Vice President and General Manager of Southern California Edison Company. Mr. Brackenridge reports that the property represents an investment equal to approximately twice the face

value of the first mortgage bonds now outstanding and the additional \$1,000,000 of bonds which applicant now desires to issue.

At the hearing of this application E. F. Jackson, President of applicant, stated that in his opinion it would be practicable for the purposes of the Company if the proceeds from the bonds herein applied for were placed in a special fund and expended only for additions and betterments under supplemental orders from this Commission.

The applicant will realize \$850,000 from the sale of the \$1,000,000 of bonds it proposes to issue and will use the funds for the following additions and betterments:

Completion of Strawberry dam . . . .	\$100,000
Enlargement of San Francisco plant .	500,000
Extension of distribution lines. . .	150,000
Purchase of new properties . . . . .	

I recommend that this application be granted and submit the following form of order:

O R D E R .

SIERRA AND SAN FRANCISCO POWER COMPANY having applied to this Commission for authority to issue \$1,000,000 face value of first mortgage five per cent forty-year gold bonds, for the purpose of reimbursing its treasury for expenditures made in connection with the construction of its generating and distributing systems, and for authority to sell said bonds at a price not less than eighty-five per cent of their face value and accrued interest.

And a hearing having been held, and it appearing to this Commission that applicant's request is reasonable and should be granted, and that the purposes for which it is proposed to issue said bonds are not reasonably chargeable in whole or in part to operating expenses or to income,

IT IS HEREBY ORDERED that Sierra and San Francisco Power Company be, and it is hereby, authorized to issue \$1,000,000 face value of its first mortgage five per cent forty-year gold bonds under its supplemental indenture of first mortgage dated July 27, 1910.

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

1. The bonds herein authorized to be issued shall be sold so as to net applicant not less than eighty-five per cent of their face value and accrued interest.

2. The bonds herein authorized to be issued shall be issued ~~and~~ for the purpose of reimbursing applicant for a portion of the expenditures set forth in Exhibit E as amended and filed with the application herein, and thereafter

the proceeds from the sale of the bonds herein authorized to be issued shall be placed in a special fund and used by applicant only for additions and betterments under supplemental orders from this Commission.

3. Applicant shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the Company shall make

verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

5. The authority herein given to issue bonds shall apply only to bonds issued by applicant on or before the 30th day of June, 1917.

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 24<sup>th</sup> day of October, 1916.

FE \$1000<sup>00</sup>/<sub>100</sub>

OCT 25 1916

*H. H. MacArthur*  
by *H. H. MacArthur* Secretary

*Max Thelen*

*H. H. MacArthur*

*Chas. Gordon*

*Edwin O. Edgeston*

*Frank R. Debnar*

Commissioners.