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ORIGINAL

Decision No. 5247

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

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of COACHELLA VALLEY ICE & ELECTRIC  
COMPANY, a corporation, and of The  
Southern Sierras Power Company, a  
corporation, for an order or orders  
authorizing the sale and transfer  
by the said Coachella Valley Ice &  
Electric Company to the said THE  
SOUTHERN SIERRAS POWER COMPANY of  
the property, assets and business  
of the Coachella Valley Ice & Elec-  
tric Company, a public utility, operat-  
ing in Imperial County, State of  
California.

Application No. 3477

I. B. Potter, Charles F. Potter and E. B. Criddle,  
for applicants.

BY THE COMMISSION.

O P I N I O N

Coachella Valley Ice & Electric Company, in its amended application, asks authority to sell to The Southern Sierras Power Company for \$791,320.03, all of its property, assets and business. The purchasing company joins in the application and asks authority to execute a trust indenture wherein and whereby it agrees to assume the payment of \$300,000.00 of outstanding bonds of Coachella Valley Ice & Electric Company.

Reference is here made to Exhibit "C" attached to the original petition herein for a general description of the tangible properties to be transferred. The purchase price of

\$791,320.03 applies to the properties as they existed on December 31, 1917. To the selling price is to be added the cost of any assets that may be acquired between December 31, 1917 and the date on which the Railroad Commission formally approves the sale of the properties, less such current liabilities as may be incurred within the same period.

A hearing was held on this application before Examiner Encell at Los Angeles on February 21, 1918.

Coachella Valley Ice & Electric Company was organized on or about March 16, 1911. The company has an authorized stock issue of \$300,000.00, all of which is outstanding. All of the outstanding stock, except shares necessary to qualify directors, is owned by the Nevada-California Electric Corporation.

The transmission lines of the Coachella Valley Ice & Electric Company extend from Banning, Riverside County, to El Centro, Imperial County, and to Yuma, Arizona. At Banning the Coachella Company's lines connect with those of The Southern Sierras Power Company, from which company electrical energy is purchased.

In the amended application herein Coachella Valley Ice & Electric Company reports assets and liabilities as of December 31, 1917 as follows:-

ASSETS:

Fixed Capital .....	\$631,044.69
Installed prior to 1/1/13 .....	\$ 11,865.77
Installed since 12/31/12 .....	619,178.92
Cash on hand and in banks .....	11,672.85
Notes Receivable .....	626.43
Accounts Receivable .....	148,919.53
Consumers and Agents .....	16,468.74
Miscellaneous .....	132,450.79
Interest and Dividends Receivable .....	2,530.26
Due from Imperial Ice & Development Company .....	1,476.85
Materials and Supplies .....	14,407.55
Prepaid Rents .....	37.00
Prepaid Insurance .....	40.20
Undistributed Amounts .....	327.33
Unamortized discount and expense on securities...	235,583.04
 Total Assets including discount .....	 \$1,046,735.73

LIABILITIES:

Capital Stock Outstanding .....	\$300,000.00
First Mortgage 6 Per Cent Gold Bonds Outstanding ....	300,000.00
Notes Payable .....	66,706.51
Current Liabilities .....	96,877.82
Taxes Accrued .....	\$ 2,068.73
Accruing interest on first mort- gage bonds .....	9,000.00
Accruing interest on notes payable.	4,569.19
Vouchers Payable .....	775.66
Unpaid Pay Roll .....	552.75
Unclaimed Wages .....	1.25
Consumers' Deposits .....	2,091.00
Miscellaneous .....	77,819.24
Due associated companies on open account .....	228,119.03
Nevada-California Power Company ...	133,997.02
The Southern Sierras Power Company.	94,111.21
Hillside Water Company .....	10.80
Reserved for auto expense .....	106.48
Surplus .....	<u>54,925.89</u>
Total Liabilities .....	\$1,046,735.73

The Southern Sierras Power Company agrees to pay for the properties of the Coachella Valley Ice & Electric Company the sum of \$791,320.03. In acquiring these properties at this price the company agrees to assume the payment of the \$300,000.00 of bonds, \$66,706.51 of notes, \$309,358.93 of accounts, \$13,569.19 of interest accrued and \$2,068.73 of taxes accrued, making a grand total of \$691,703.36 of indebtedness, the payment of which will be assumed by The Southern Sierras Power Company. The assumption of this indebtedness leaves a balance due the Coachella Valley Ice & Electric Company on the selling price of its electric properties amounting to \$99,616.67.

The purchase price of \$791,320.03 is reported by applicants to consist of the following items:-

Present Depreciated Book Value of Properties, December 31, 1917 (Exclusive of Cash and Deposits, Materials and Supplies and Development Costs) .....	\$333,788.64
Add - Cash additions to December 31, 1917 as shown by Coachella Company books, .....	277,720.72
Materials and Supplies, December 31, 1917 as shown by Coachella Company books .....	14,407.56
Cash and Deposits .....	11,672.85
Notes Receivable .....	626.43
Accounts Receivable .....	150,473.58
Interest and Dividends Receivable .....	<u>2,630.26</u>
 Total .....	 \$791,320.03

The purchase price includes no allowance for development costs. The \$277,720.72 referred to above appears to represent the cost of construction work in progress.

On December 13, 1913, the Railroad Commission by Decision Number 1135 authorized Coachella Valley Ice & Electric Company to issue at not less than 80 per cent of their face value, plus accrued interest, \$300,000.00 of 6 per cent bonds. The bonds mature serially from January 1, 1937 to January 1, 1956, both dates inclusive. The payment of the bonds is secured by a mortgage dated January 1, 1912 and executed to the Southern Trust Company of the City of Los Angeles. The order of the Commission as amended provides that the company must amortize the discount on its bonds over a period of twenty years. The payment of the \$300,000.00 of bonds issued by the Coachella Valley Ice & Electric Company is guaranteed by the Holton Power Company.

The Southern Sierras Power Company proposes to execute a trust indenture wherein and whereby it will agree to assume the payment of the \$300,000.00 of outstanding bonds of the Coachella Valley Ice & Electric Company, to observe all of the terms and conditions of the mortgage securing the payment of these bonds and to keep the properties now owned by the Coachella Valley Ice & Electric Company at all times separable and distinguishable from the other properties which belong to The Southern Sierras Power Company.

The testimony shows that all of the outstanding bonds of the Coachella Valley Ice & Electric Company, except possibly \$2,000.00, are owned by the Nevada-California Electric Corporation. The mortgage securing the payment of these bonds provides that they may be redeemed on any interest payment date at 105 per cent of their face value with accrued interest. Mr. Charles F. Potter in his letter of March 20, 1918 is of the opinion that in view of the high premium and because of present war conditions the bonds of the Coachella Valley Ice & Electric Company should be permitted to remain outstanding, rather than be paid or refunded through the issue of bonds of The Southern Sierras Power Company. While the mortgage securing the payment of the bonds of Coachella Valley Ice & Electric Company provides that they may be redeemed at 105, it does not necessarily follow as a matter of fact that the bonds have to be redeemed at 105. Practically all of these bonds are owned by the Nevada-California Electric Corporation which owns all of the outstanding stock, but directors' shares, of The Southern Sierras Power Company. While the company would have the legal right to insist upon the payment of the bonds at 105, we fail to see under the facts as presented, what disadvantage would accrue to it by consenting to a redemption at a figure less than 105.

Though the Commission in its order will authorize the execution of a trust indenture as requested by applicants, it is of the opinion that as soon as financial conditions return to a more normal status the bonds of the Coachella Valley Ice & Electric Company should be paid off or refunded through the issue of bonds of The Southern Sierras Power Company. We are of the opinion that if these properties are to be consolidated, that the consolidation should be carried to its logical conclusion as soon as possible and the Coachella Valley Ice & Electric Company dissolved.

It appears from the testimony that The Southern Sierras Power Company has no business of its own in the territories now served by the Coachella Valley Ice & Electric Company. If it is authorized

to acquire the properties of that company, it will continue in effect the same rates charged by the Coachella Valley Ice & Electric Company.

On May 23, 1914 the Railroad Commission by Decision Number 1539 declared that public convenience and necessity required the exercise by Coachella Valley Ice & Electric Company of the rights and privileges conferred by Ordinance Number 118 of the Board of Supervisors of Riverside County and the rights and privileges granted by the resolution of March 3, 1914 of the Board of Supervisors of Imperial County. The Commission in its decision calls attention to the fact that the Coachella Valley Ice & Electric Company will use the permit obtained from the Board of Supervisors of Imperial County solely for the purpose of transmitting electric energy to Holton Power Company's sub-station in or near El Centro and not for the distribution of electric energy in Imperial County.

In the application now pending before the Commission specific reference is made to the franchise granted by the Board of Supervisors of Riverside County but no mention is made to the permit obtained from the Board of Supervisors of Imperial County. We believe that before the authority herein granted shall become effective The Southern Sierras Power Company should furnish the Commission with a statement showing under what authority it proposes to operate in Imperial County.

#### O R D E R

COACHELLA VALLEY ICE & ELECTRIC COMPANY and THE SOUTHERN SIERRAS POWER COMPANY having applied to the Railroad Commission for an order authorizing the sale and transfer of properties referred to in the foregoing Opinion, a hearing having been held, and the Commission being of the opinion that this application should be granted;

IT IS HEREBY ORDERED that Coachella Valley Ice & Electric Company be, and it is hereby, granted authority to sell to The Southern Sierras Power Company for the consideration which is specified in the Opinion which preceds this Order, all property of whatever character owned or controlled by said Coachella Valley Ice & Electric Company;

IT IS HEREBY FURTHER ORDERED that The Southern Sierras Power Company be, and it is hereby, granted authority to execute a trust indenture substantially in the same form as the trust indenture attached to the supplemental petition herein, filed on March 14, 1918.

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

1.-Before the authority herein granted to transfer the properties shall become effective The Southern Sierras Power Company shall file with the Railroad Commission a stipulation duly authorized by its Board of Directors in which stipulation The Southern Sierras Power Company agrees that neither it, its successors or assigns, will ever claim before the Railroad Commission or other public body, a value for the franchise to be acquired from the Coachella Valley Ice & Electric Company pursuant to the authority herein granted, in excess of the amount actually paid to Riverside County as a consideration for the grant of such franchise which amount shall be set forth in the stipulation and shall have obtained from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory has been filed with the Railroad Commission.

2.-The authority herein granted shall not become effective until Coachella Valley Ice & Electric Company has filed with the Railroad Commission <sup>a copy of</sup> each and every permit or franchise under which it is operating in Imperial County.

A stipulation similar in form to that referred to in Condition "1" of this Order shall be filed by The Southern Sierras

Power Company with reference to each and every permit or franchise under which the Coachella Valley Ice & Electric Company is operating in Imperial County.

3.-The authority herein granted shall not become effective until the Railroad Commission has approved the bookkeeping entries relative to the transfer of the properties herein authorized to be sold.

4.-The price at which The Southern Sierras Power Company is authorized to acquire the properties of the Coachella Valley Ice & Electric Company shall never be urged upon the Railroad Commission or other public body as a measure of value on which to base rates, issue securities or for any other purpose.

5.-Within thirty days after the transfer of the properties herein authorized The Southern Sierras Power Company shall file a verified copy of the deed of conveyance.

6.-The authority herein granted to transfer property shall apply only to such property as shall have been transferred on or before November 1, 1918.

Dated at San Francisco, California, this 2<sup>nd</sup> day  
*April*  
of ~~March~~, 1918.

Max Thelen

H. D. Loveland

Alex. Gordon

Edwin O. Edgerton

Frank R. Nelson

Commissioners.