

Decision No. 6397.

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

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In the Matter of the Application of )  
HOLTON POWER COMPANY )  
for an order authorizing the issue )  
and sale of \$50,000 par value of )  
first and refunding mortgage gold )  
bonds. )

Application No. 4443.

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E.B. Criddle and H.W. Coil, for applicant..

BY THE COMMISSION:

O P I N I O N.

HOLTON POWER COMPANY asks permission to issue \$50,000. face value of its first and refunding mortgage gold bonds for the purpose of paying and refunding indebtedness incurred for the purpose of paying \$50,000 of its first mortgage bonds.

HOLTON POWER COMPANY was organized on September 16, 1903. The company has an authorized stock issue of \$1,500,000, divided into 15,000 shares of the par value of \$100. each. Stock in the amount of \$1,250,000 was reported outstanding on December 31, 1918. The annual report filed by the company with the Commission for 1918 shows that \$1,249,000 of the outstanding stock is held by W. Sherman Fisher, trustee. The testimony in a recent rate proceeding shows that the outstanding stock of the Holton Power Company, except shares necessary to qualify directors, is owned by the Nevada-California Electric Corporation, a holding company which controls through stock ownership not only applicant but also The Southern Sierras Power Company.

Holton Power Company on April 1, 1907, executed a mortgage securing the payment of \$500,000 of first mortgage 6% bonds. On October 1, 1911, it executed a first and refunding mortgage securing the payment of \$1,000,000 of 6% bonds. All of the company's first mortgage bonds have been issued and sold. Of the first and refunding mortgage bonds, \$500,000 have been issued and sold and \$500,000 are appropriated to pay and refund the company's first mortgage bonds. The first mortgage bonds mature annually beginning January 1, 1918 to and including January 1, 1937 at the rate of \$25,000 per annum, while the first and refunding bonds mature annually beginning October 1, 1932 to October 1, 1951, at the rate of \$50,000 per annum. The record shows that applicant has paid \$49,000 of its first mortgage bonds and has deposited \$1,000 with the First National Bank of Redlands for the purpose of paying a matured \$1,000 bond which has as yet not been presented for payment.

The Railroad Commission has authorized applicant to issue \$500,000 of its first and refunding bonds: \$300,000 by Decision No. 122, dated June 3, 1912 (Vol. 1, Opinions and Orders of the Railroad Commission of California, page 249); \$200,000 by Decision No. 1894, dated October 21, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, page 645). The Commission for reasons stated in the decisions authorized applicant to issue its bonds at not less than 80 per cent of their par value plus accrued interest. Applicant now requests that it be permitted to sell the \$50,000 of bonds applied for at not less than 80 and accrued interest. The request, it occurs to us, overlooks the fact that applicant is no longer operating under the conditions prevailing in 1912 and 1914. The order herein will, therefore, provide that the bonds may be issued and sold for not less than 85 per cent of their face value and accrued interest.

In Exhibit "1", applicant under intercompany accounts reports that there is due it the sum of \$137,931.23, and that it is indebted in the sum of \$551,553.22. The Commission suggests that applicant endeavor to collect the moneys due it and apply such moneys to a reduction of its current indebtedness. It further suggests that serious consideration be given to the consolidation of the properties of the Holton Power Company and The Southern Sierras Power Company. As stated, both of these corporations are controlled by the same holding company. The reason for continuing a separate corporation to conduct a portion of the electrical business in the Imperial Valley is not apparent. It occurs to us that it is to the interest of the consumer as well as to the investors in this property to conduct its operations in the most economical manner, and that this can be done only by eliminating unnecessary overhead<sup>and other</sup> expenses in connection with the maintenance of a corporate organization for which there is no apparent necessity.

O R D E R.

HOLTON POWER COMPANY having applied to the Railroad Commission for permission to issue \$50,000. face value of its 6 per cent first and refunding bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that HOLTON POWER COMPANY be, and it is hereby, granted authority to issue and sell at not less than 85 per cent of their face value plus accrued interest, \$50,000. of

its first and refunding 6 per cent bonds, upon the following conditions and not otherwise:-

- 1.--- The proceeds obtained from the sale of the bonds shall be used by applicant to pay indebtedness incurred for the purpose of securing moneys to pay the \$50,000 of first mortgage bonds referred to in the petition herein.
- 2.--- Holton Power Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.
- 3.--- The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.
- 4.--- The authority herein granted shall apply only to such bonds as may be issued on or before December 15, 1919.

Dated at San Francisco, California, this 10<sup>th</sup> day of June, 1919.

Edwin O. Edgerton

Frank R. Dwyer

H. T. Brundage

Commissioners.

