

Decision No. 6496

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY for order authorizing applicant to guarantee bonds of Shaver Lake Lumber Company, a corporation.

Application No. 4720.

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY for a certificate that present and future public convenience and necessity require the acquisition, for purposes of a reservoir site and hydro-electric power development by applicant, of certain properties, and appurtenances and attachments, now owned by Fresno Flume and Lumber Company and situated in Fresno County, California.

Application No. 4724.

Roy V. Reppy, for applicant.

MARTIN, Commissioner.

O P I N I O N

The above entitled applications were consolidated for hearing and decision.

In Application Number 4720, the Southern California Edison Company asks permission to guarantee the payment of \$1,150,000. of 5 per cent serial bonds of Shaver Lake Lumber Company.

In Application Number 4724, the Southern California Edison Company asks the Railroad Commission to declare that present

and future public convenience and necessity require the acquisition, for purposes of a reservoir site and in connection with hydro-electric power development, by applicant, of certain properties owned by Fresno Flume and Lumber Company and more particularly described in the contract attached to the petition in Application Number 4720.

Southern California Edison Company reports that it has agreed to purchase at a cost of \$1,400,000.00 all the properties of Fresno Flume and Lumber Company, located in Fresno County. The properties consist of a reservoir site, water, water rights, timber lands, an abandoned saw-mill and other properties. The Edison Company is interested primarily in the acquisition of the reservoir site, water and water rights. The testimony shows that the company was unable to acquire these without at the same time purchasing the timber lands and other properties. The company intends to cause to be organized the Shaver Lake Lumber Company with an authorized stock issue of \$1,200,000.00, all of which, when the transaction is finally completed, will be owned by the Edison Company. The reservoir site, water and water rights, will be transferred by the Fresno Flume and Lumber Company to the Shaver Lake Lumber Company, and by the Lumber Company to the Edison Company. The timber lands and other property will be retained by the Shaver Lake Lumber Company.

Fresno Flume and Lumber Company is to receive \$1,400,000. for its properties. Of the purchase price \$150,000.00 will be paid by the Edison Company in cash, \$100,000.00 in the form of two \$50,000.00 5 per cent notes of the Edison Company, one due in six months, the other in twelve months, and \$1,150,000.00 in Shaver Lake Lumber Company 5 per cent serial bonds, \$250,000.00 of which are payable January 15, 1921, \$250,000.00 on January 15, 1922, \$250,000.00 on January 15, 1923, \$250,000.00 on January 15, 1924 and \$150,000.00 on January 15, 1925.

The Edison Company asks permission to guarantee the payment of the \$1,150,000.00 of Shaver Lake Lumber Company bonds. Representatives of the company estimate the value of the reservoir site and properties which the Edison Company can use in connection with its hydro-electric development, at \$1,000,000.00, and the value of the un-cut timber at \$400,000.00. The Shaver Lake Lumber Company will have no income except from the sale of its timber. The record shows that the sale of the timber during the life of the bonds is problematical. However, the Edison Company will own all of the stock of the Shaver Lake Lumber Company and in fact expects to pay that company's bonds when they mature.

The manner in which this transaction is being carried out will result in a segregation of the properties of Fresno Flume and Lumber Company. The Edison Company, as said, will acquire the reservoir site and properties which it can use in its hydro-electric development plans, while the Shaver Lake Lumber Company will secure and retain title to the timber lands and all other property.

R. H. Ballard, Vice President of the Edison Company, testified that the company intends to begin at once the construction of a dam at Shaver Lake which will impound 50,000 acre feet of water, and construct the necessary tunnels and other conduits to bring the water to the Number 2 Power Plant at Big Creek. The water will pass through this plant without necessitating any increase in the machinery or in the power house, nor need there be any increase in the transmission lines of the Edison Company to make full use of the water. The record clearly shows that the properties which the Edison Company intends to acquire can advantageously and economically be utilized in connection with the company's present and prospective developments on Big Creek and vicinity.

At the hearing representatives of the company requested the Commission to make a definite finding as to the value of the reservoir site and other properties which the Edison Company will

acquire and intend to use in connection with its hydro-electric development. The company places a value of \$1,000,000.00 upon these properties and submitted some evidence supporting such appraisal. I do not believe that it is necessary for the Commission in this proceeding to definitely find a value for these properties nor should an order granting the applications be interpreted as a finding of value.

The record shows that Shaver Lake Lumber Company has as yet not received from the Commissioner of Corporations an order authorizing the issue of \$1,200,000.00 of stock and \$1,150,000.00 of bonds. The obtaining of such an order is necessarily a condition precedent to the effective date of the authority herein granted.

I herewith submit the following form of Order:-

O R D E R

SOUTHERN CALIFORNIA EDISON COMPANY having applied to the Railroad Commission for permission to guarantee the payment of bonds of Shaver Lake Lumber Company and to purchase certain properties now owned by the Fresno Flume and Lumber Company, a public hearing having been held and the Commission being of the opinion that the above entitled applications should be granted, subject to the conditions of this Order;

IT IS HEREBY ORDERED that Southern California Edison Company be, and it is hereby, granted authority to guarantee the payment of \$1,150,000.00 of 5 per cent serial bonds of Shaver Lake Lumber Company.

THE RAILROAD COMMISSION HEREBY DECLARES that present and future public convenience and necessity require the acquisition for purposes of a reservoir site and in connection with hydro-electric power development by Southern California Edison Company of certain properties now owned by Fresno Flume and Lumber Company and more particularly described in the contract attached to the petition in Application Number 4720, provided -

1.-That, the authority granted in this Order will not be interpreted as a finding of value for the properties which the Southern California Edison Company is herein authorized to acquire.

2.-That, the authority herein granted will not become effective until Southern California Edison Company has filed with the Railroad Commission a copy of the Order of the Commissioner of Corporations authorizing Shaver Lake Lumber Company to issue the stock and bonds referred to in the petition herein and in exhibits attached thereto.

3.-That, Southern California Edison Company will file with the Railroad Commission within thirty days after the acquisition of the properties herein authorized, a description of the properties, and a verified copy of the instrument of conveyance.

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 16th day of July, 1919.

H. O. Loveland

H. N. Bunnage

Irving M. Cohen

Commissioners.