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ORIGINAL

Decision No. 6517

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE SOUTHERN SIERRAS POWER COMPANY,)
an electrical corporation, for an)
order authorizing the issue and sale)
of \$680,246.52 face value of its)
First and Refunding Mortgage Gold)
Bonds.)

Application No. 4737

Charles F. Potter for applicant.

MARTIN, Commissioner.

O P I N I O N

The Southern Sierras Power Company asks permission to issue and sell at not less than 85 per cent of their face value, plus accrued interest, \$680,246.52 of its 6 Per Cent First and Refunding Mortgage bonds, due January 1, 1965, and use the proceeds to pay indebtedness incurred for the purpose of paying for the construction of extensions, additions and betterments to its plant and system.

The record shows that The Southern Sierras Power Company operates electric generating plants having a rated capacity of 34,315 K.V.A. It owns a 8,000 K.V.A. steam plant located

at San Bernardino, a 65 K.V.A. diesel engine plant, located at Blythe, a 1,500 K.V.A. and a 2,000 K.V.A. hydro-electric plant located on Bishop Creek, Inyo County. In addition it has leased from The Nevada-California Power Company three hydro-electric plants having a capacity of 10,000 K.V.A, 6,750 K.V.A. and 6,000 K.V.A. respectively. Applicant transmits electric energy over a high voltage line to points in Inyo County, in the eastern portion of Kern County, in San Bernardino, Riverside and Imperial Counties. In the transmission of electric energy applicant operates a transmission line over 400 miles in length, extending from Bishop, Inyo County, through San Bernardino to El Centro and Yuma. Applicant operates over an extended area and in 1918 obtained about 63 per cent of its gross revenues from operations outside of incorporated territory. It operates in Bishop, San Bernardino, Redlands, Riverside, Corona, Perris, San Jacinto, Hemet, Elsinore, Rialto and Blythe and territory adjacent thereto. In addition applicant sells electrical energy to Holton Power Company, operating in Imperial County, to Yuma Light, Gas and Water Company, operating in Yuma, and to Christ and son, who own a distributing system in Banning.

In 1918 applicant reported gross revenues of \$1,147,324.05 as compared with \$821,249.49 in 1917. After paying operating expenses, exclusive of depreciation, taxes, interest, rent and other fixed charges, applicant in 1917 reported a surplus of \$142,088.31 as compared with \$131,329.25 in 1918.

As of May 31, 1919, applicant reports its assets and liabilities as follows:-

Asset Accounts:

Fixed Capital	\$5,891,500.93
Construction Work in Progress	718,338.68
U. S. Victory Liberty Loan Notes	1,000.00
Special Deposits	706.60
Materials and Supplies	199,488.32
Cash	62,860.73
Accounts Receivable, exclusive of inter-company accounts	194,559.93
Due from affiliated companies	670,556.84
Prepaid Insurance and other expense	8,484.01
Unamortized discounts and expense	5,349,579.62
Stock	\$4,995,350.00
Bonds	354,229.62
Unadjusted Debit Item	<u>2,105.03</u>
Total Asset Accounts...\$13,099,180.69	

Liability Accounts:

Capital Stock Outstanding	\$ 5,000,000.00
Funded Debt Outstanding	3,999,000.00
Outstanding Bond Coupons	675.00
Current Liabilities, exclusive of inter-company accounts	324,140.67
Due Nevada-California Power Company	1,982,044.23
Principal	\$1,920,909.09
Interest	61,135.14
Due Nevada-California Electric Corporation	1,375,115.96
Principal	\$1,331,435.28
Interest	43,680.68
Reserves	32,720.26
Discounts and premiums on bonds redeemed	633.25
Surplus	<u>384,851.32</u>
Total Liability Accounts <u>\$13,099,180.69</u>	

Applicant in an exhibit attached to the petition herein reports that from December 1, 1914 to December 31, 1918, it expended for the purpose of paying for the construction of improvements, additions and betterments to its plant, the sum

of \$1,011,057.00 and that during the same period it retired property representing a cost of \$210,766.97, leaving a net investment of \$800,290.03. The moneys necessary to pay for the improvements were, in the main, obtained from The Nevada-California Power Company and Nevada-California Electric Corporation. Applicant reports that on May 31, 1919, it owed the former company the sum of \$1,982,044.23 and the latter \$1,375,115.96. This liability, which include some accrued and unpaid interest, is carried on the books of applicant as an open account indebtedness.

P. R. Ferguson, auditor of The Southern Sierras Power Company, testified that it was necessary for applicant to refund a part of its open account indebtedness. His testimony shows that because of a net investment of \$800,290.03, applicant is under its First and Refunding mortgage permitted to issue \$680,246.52 of bonds, that applicant has issued no stock or bonds to pay for any expenditures on capital account incurred since December 1, 1914 and that applicant is now paying 8 per cent interest on its open account indebtedness. If applicant issues the bonds herein applied for at 85, the effective interest rate will be approximately 7 per cent as compared with 8 per cent now being paid by it on its indebtedness due The Nevada-California Power Company and Nevada-California Electric Corporation.

Neither the Commission's engineers nor accountants have completed their check of applicant's construction expenditures. I believe, however, that the facts and circumstances, as shown by the record herein, justify the

Commission in making a preliminary order permitting applicant to issue not in excess of \$500,000.00 of its first and refunding mortgage bonds. These bonds should be issued for the purpose of refunding a part of applicant's open account indebtedness. A final order will be hereafter made in this proceeding.

I herewith submit the following form of Order.

O R D E R

THE SOUTHERN SIERRAS POWER COMPANY having applied to the Railroad Commission for permission to issue 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 this 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 The Southern Sierras 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, \$500,000.00 of its 6 per cent first and refunding mortgage bonds, due January 1, 1965, provided -

1.-That, the bonds will be issued for the purpose of refunding part of applicant's open account indebtedness, payable to The Nevada-California Power Company OR Nevada-California Electric Corporation.

2.-That, The Southern Sierras Power Company 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.-That, the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4.-That, the authority herein granted will apply only to such bonds as may be issued on or before December 15, 1919.

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 19th day of July, 1919.

Fee \$500.00
JUL 25 1919
A. R. Williams

H. D. Loveland
H. R. Brundage
Wm. W. Martin
Commissioners.