

Decision No. 7163.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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In the Matter of the Application of)
SNOW MOUNTAIN WATER AND POWER COMPANY) Application Number 5309.
for an order authorizing the issue of)
preferred stock.)

Pillsbury, Madison & Sutro, by E.D. Pillsbury for
applicant.

LOVELAND, Commissioner.

O P I N I O N.

SNOW MOUNTAIN WATER AND POWER COMPANY asks permission to issue 15,000 shares (\$1,500,000.00) of 6 per cent cumulative preferred stock at \$95.00 per share for the purpose of securing funds to pay for the construction of a dam and other improvements.

The Snow Mountain Water and Power Company was organized on or about February 14, 1906, with an authorized stock issue of \$5,000,000.00, divided into 50,000 shares of \$100.00 each. On February 7, 1920, the stockholders authorized an increase in the company's stock from \$5,000,000.00 to \$10,000,000.00 divided into \$8,500,000.00 of common and \$1,500,000.00 of 6 per cent cumulative preferred.

The testimony of W.S. Graham in Case Number 483, -Town of Ukiah vs. Snow Mountain Water and Power Company- shows that approximately \$1,300,000.00 of cash was invested in applicant's properties up to December 1, 1913. Since then, reports filed with the Commission show an additional investment of about \$104,000.00, making a total of \$1,404,000.00. The record in Case Number 483 shows that applicant sold

\$1,250,000 of 5% bonds at 96 netting \$1,200,000.00. On December 31, 1919, applicant reports \$1,176,000.00 of bonds and \$4,300,000.00 of common stock outstanding. All of the bonds and stock were issued prior to March 23, 1912, -the effective date of the Public Utilities Act. In 1918, applicant levied an assessment of five dollars per share upon its stockholders, realizing from such assessment the sum of \$215,000.00, which was used to pay current indebtedness, incurred to pay for additions and betterments and meet sinking fund payments. From 1913 to 1919, both years inclusive, applicant has included in operating expenses for depreciation purposes, approximately \$30,000.00 a year, or a total of \$210,000.00, of which about \$150,000.00 was earned. I do not believe that it is necessary for the purpose of this proceeding to have an appraisal of applicant's properties made, because I feel that the present value of such properties is in excess of the company's bonded debt and that the expenditures herein proposed will result in a material increase in applicant's earnings.

The testimony of W.S. Graham in this proceeding shows that the company ever since 1908 has been operating at a great disadvantage, inasmuch as it has had no main storage. Because of the lack of a proper storage reservoir, the output of applicant's power plant during July, August, September, October and November of each year has been very small. It is able to operate throughout the year only because of a reciprocal contract with Pacific Gas and Electric Company. During the periods of low water, applicant obtains electrical energy from Pacific Gas and Electric Company, and during the periods of the year when it is able to operate its power plant at full capacity, it delivers electrical energy to the Pacific Gas and Electric Company.

The record herein shows that applicant has undertaken the construction of a concrete dam at a point in Lake County,

California, known as the "Gravelly Dam Site". Through the construction of this dam, a reservoir having a capacity of about 73,000 acre feet, will be created. The contract providing for the construction of the dam calls for its completion on December 1, 1920, though the penalties referred to in the contract do not become effective until February 1, 1921. Upon the completion of the dam, applicant reports that it will have sufficient water to operate its power plant at full capacity throughout the entire year.

In addition to building the dam, applicant intends to make changes in its power house which will bring the efficiency up from less than 60 per cent to 85 per cent. Applicant reports that the cost of constructing the dam, make the desired changes in its present plant, and clear the reservoir site with the expenses incidental thereto, will not exceed \$1,500,000.00.

Applicant estimates that as a result of an expenditure of not exceeding \$1,500,000.00, it can increase its gross earnings from \$127,648.53, the estimate for 1920, to \$250,400.00, the estimate for 1921, while its surplus earnings will show an increase of \$103,048.29

The record shows, that arrangements have been made for the sale, of any part of the \$1,500,000.00 of stock which may not be taken by applicant's stockholders, who have signified a willingness to take at least \$860,000.00 of the stock.

Applicant reports that on December 31, 1919, it issued to Anglo-California Trust Company a \$55,000 one-day 5% note and has used the moneys obtained through the issue of the note, to pay for preliminary

work, such as making roads, surveys and like purposes, necessary to the construction of the dam to which reference has been made. Applicant asks permission to use moneys secured through the sale of stock to pay the note.

I herewith submit the following form of Order.

O R D E R

SNOW MOUNTAIN WATER AND POWER COMPANY having applied to the Railroad Commission for permission to issue \$1,500,000.00 of its 6 per cent cumulative preferred stock, a public hearing having been held, and the Railroad 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 SNOW MOUNTAIN WATER AND POWER Company be, and it is hereby, granted authority to issue and sell for cash on or before December 31, 1920, at not less than \$95.00 per share, 15,000 shares (\$1,500,000.00) of its 6 per cent cumulative preferred stock and use the proceeds for the purpose of paying for the construction of the dam and other improvements referred to in the petition and testimony herein, and the payment of a \$55,000.00 one-day 5 per cent note due Anglo-California Trust Company, provided:

Snow Mountain Water and Power Company will keep such record of the issue and sale of the stock 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.

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 26th day of February, 1920.

Edwin O. Edgerton
H. D. Loveland
Frank R. Doherty
H. R. Bondage

Commissioners.