

ORIGINAL

Decision No. 7565

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)
 LASSEN ELECTRIC COMPANY,)
 a corporation, for an order autho-)
 rizing the issue of bonds in the sum) Application No. 5591
 of \$100,000.00, secured by deed of)
 trust of all of the properties of)
 said company.)

Pardee & Pardee, by J.E.Pardee, for Lassen Electric Company;
 A. E. Bolton, for Red River Lumber Company.

BRUNDIGE, Commissioner:

OPINION

LASSEN ELECTRIC COMPANY asks permission to execute a deed of trust to secure the payment of \$100,000 of 7% 7-year bonds and issue and sell the bonds at not less than 80% of their face value plus accrued interest.

Applicant reports assets and liabilities as of December 31, 1919, as follows:-

ASSETS

Fixed capital	\$74,730.52
Cash	655.05
Accounts receivable	2,049.60
Materials and supplies	304.54
Prepayments	158.42

TOTAL ASSETS \$77,898.13

LIABILITIES

Capital stock	\$25,000.00
Notes payable	19,000.00
Accounts payable	41.10
Interest and taxes accrued	1,117.21
Reserve for accrued depreciation	19,082.90
Reserve for amortization of intangible capital	22.20
Corporate surplus unappropriated	13,634.72

TOTAL LIABILITIES \$77,898.13

Applicant reports that J. T. Ryan, consulting engineer, found the reproduction value of its property as of August 1, 1918, to be \$75,173.00. This amount is made up of the following items:-

General capital	\$26,159.00
Transmission capital	8,725.00
Telephone line	1,096.00
Distribution capital	23,186.00
Miscellaneous	<u>3,507.00</u>
 Total structures	 62,673.00
Lands and water rights (Original cost)	<u>12,500.00</u>
 Total	 <u>\$75,173.00</u>

Applicant's reports filed with the Commission show that it had 376 consumers during 1919; 313 during 1918, and 299 during 1917. After paying operating expenses and interest on \$19,000.00 of indebtedness, applicant for 1917 reported a surplus of \$2,731.05; for 1918 a surplus of \$1,948.60, and for 1919 a surplus of \$3,515.00.

Applicant reports that its generating capacity is wholly inadequate to meet the demand for electrical energy and that such demand will be further increased as a result of the construction of a saw-mill and box factory at Susanville by Fruit Growers Supply Company which, when completed, will employ from 1500 to 2000 men. The record shows that applicant's hydraulic plant has been developed to its fullest capacity and that its small gas engine plant is expensive to operate. The capacity of these two plants is from 150 to 160 kilowatts. To meet the demand for service, applicant will have to install an up to date steam plant or purchase electrical energy from other sources. The Red River Lumber Company, which operates a large mill at Westwood, is installing a hydroelectric generating plant of two units, of 3,000 kilowatts each. When this plant is completed, it will have a surplus of about 2000 kilowatts. The Lumber Company is willing to sell its surplus electrical energy to applicant, provided applicant will construct a transmission line at Susanville to Westwood, a distance of about 25 miles. The cost of this line is estimated at \$63,860.45. L.R.Cady, Secretary and

General Manager of Lassen Electric Company, testified that through the construction of this line and the purchase of electrical energy from Red River Lumber Company, applicant will be able to save approximately \$5,000. a year in operating expenses by shutting down its gas engine plant.

To pay for the construction of the transmission line and pay off a \$19,000. indebtedness, applicant asks permission to issue \$100,000. of 7% 7-year bonds at 80. While the sale of the bonds at so low a figure as 80 will result in an unusually high effective interest rate, it is urged that because of conditions surrounding the operation of this plant, no better price can be, at this time, obtained for the bonds. It is no doubt understood by the owners of this property that they can expect only a reasonable return on their investment and that the cost of money is only one of the elements which the Commission considers, in fixing rates.

Applicant has to date not filed a copy of its proposed mortgage securing the payment of the \$100,000. of bonds, and it will therefore not be permitted to issue any of the bonds until the Commission has authorized the execution of a mortgage securing the payment of such bonds.

I herewith submit the following form of order.

O R D E R

LASSEN ELECTRIC COMPANY having applied to the Railroad Commission for permission to execute a mortgage and to issue \$100,000. of bonds, a public hearing having been held and the Railroad Commission being of the opinion that the moneys, property or labor to be procured or paid for by the issue of such bonds 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 LASSEN ELECTRIC COMPANY be, and it is hereby, authorized to issue \$100,000. of 7% 7-year bonds, provided that none of such bonds be issued until the Railroad Commission has authorized applicant to execute a mortgage or trust deed to secure the payment of such bonds.

The authority herein granted is subject to further conditions as follows:-

1. The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 80% of their face value, plus accrued interest.

2. Of the proceeds obtained from the sale of the bonds, \$19,000. shall be used by applicant to pay outstanding notes referred to in the petition herein, and the remaining \$61,000. to pay in whole or in part the cost of constructing the transmission line referred to in this application and in exhibits attached to the petition.

3. Lassen Electric 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 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds as may be issued on or before December 31, 1920.

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 10th day of May, 1920.

Just \$100-100
MAY 24 1920
H. W. ...
BY _____
RAILROAD COMMISSIONERS

Edwin C. ...
H. D. ...
Mark ...
H. P. ...
Irving ...
COMMISSIONERS