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Decision No. 7984.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
GREAT WESTERN POWER COMPANY OF CALIFORNIA)
for an order authorizing the execution of)
a mortgage and the issuance of bonds.)

Application No. 6000.

Guy C. Earl and Chaffee E. Hall, by Chaffee E. Hall,
for applicant.

MARTIN, Commissioner.

OPINION.

GREAT WESTERN POWER COMPANY OF CALIFORNIA in its amended application asks permission to execute a mortgage upon all its properties to secure the payment of \$5,000,000.00 face amount of general mortgage convertible 8 per cent bonds dated August 1, 1920 and due August 1, 1930; to issue and sell \$3,500,000.00 of said bonds at 93 per cent of their face value plus accrued interest; to issue and pledge \$3,500,000.00 of its Series "B" first and refunding sinking fund gold bonds to secure in part the payment of the \$3,500,000.00 of 8 per cent bonds, and to issue said \$3,500,000.00 of Series "B" bonds in exchange for the \$3,500,000.00 of 8 per cent bonds upon such conditions as are hereafter mentioned. The company further asks permission to use the proceeds from the sale of the \$3,500,000.00 of 8 per cent bonds to pay the cost of completing the construction of a hydro-electric generating plant and appurtenances (known as the Caribou development) on the North Fork of the Feather River, a 150,000 volt transmission line from the Caribou plant to its Valona substation, and for such other purposes as may hereafter be authorized by the Commission.

In the application, as originally filed, applicant asked the Commission to make an order authorizing it to issue to the purchasers of its 8 per cent bonds, interim certificates or subscription receipts pending the issue of definitive bonds. At the hearing, counsel for applicant took the position that it might issue such interim certificates or subscription receipts without an order from the Railroad Commission and he, therefore, amended the application, eliminating applicant's request relative to the issuance of interim certificates or subscription receipts.

Applicant reports that it is in urgent need of additional funds to complete its Caribou development and the construction of a transmission line extending from the Caribou plant to Valona substation. The cost of the transmission line is now estimated at \$2,096,597.66 and that of the Caribou development at \$8,578,300.00, making a total of \$10,674,897.66. In Application No. 4395, the estimated cost of the Caribou development, as therein outlined, was reported at \$4,321,430.00 and of the transmission line at \$1,736,000.00, making a total of \$6,057,430.00, or \$4,617,467.66 less than the total cost as now reported. The record shows that the increase in the estimated cost is caused by enlarging the tunnels so as to permit of the construction of an 80,000 kilo watt plant instead of a 60,000 kilo watt plant as originally planned, to unforeseen difficulties experienced in tunnel construction, to increases in cost of materials and supplies, to increases in wages paid and to the difficulty in keeping employees permanently engaged on the construction work.

Applicant reports that it has entered into an agreement, Exhibit "A", with E.H. Rollins & Sons covering the sale of \$3,500,000. of 8 per cent 10-year convertible bonds. The payment of these bonds is to be secured by a general mortgage covering all of applicant's properties and further secured by the ultimate deposit of \$3,500,000. of applicant's Series "B" 7 per cent 30-year bonds to be issued under

its first and refunding mortgage dated March 1, 1919. As further security, the company agrees to provide a sinking fund beginning August 1, 1922, which shall be equivalent to one-ninth of the total bonds at any time certified plus a premium of 5 per cent, which payment shall be used annually to retire bonds at 105. No doubt, applicant's officers are aware that sinking fund payments are not and cannot be regarded by this Commission as an operating expense and that such payments are an obligation assumed by the stockholders, and must be paid out of funds contributed by stockholders or out of surplus earnings, which might be distributed to stockholders. The company reserves the right to redeem the 8 per cent bonds at 105. If it calls the bonds for payment, the holder may exchange them for Series "B" 7 per cent bonds at 105. The holder is given the additional option of exchanging at any time his 8 per cent bonds for Series "B" 7 per cent bonds at 102½.

The Commission is asked to approve the agreement between E.H. Rollins & Sons and applicant relating to the sale of the 8 per cent bonds, the execution of a general mortgage, the pledging and exchange of Series "B" 7 per cent bonds and the issue of temporary certificates or subscription receipts. The Commission cannot at this time approve the agreement for the reason that such approval might be interpreted by some, as committing the Commission to authorize the execution of a mortgage regardless of its terms, so long as such mortgage contained the conditions set forth in the agreement, and the issuing of 7 per cent Series "B" bonds, when as a matter of fact, the Commission has not yet been furnished with a copy of the proposed mortgage, nor has a proper showing been made on which the Commission can predicate an order authorizing the issue of 7 per cent Series "B" bonds. When a utility asks for an order such as requested by applicant, it should submit to the Commission a complete record. Upon a satisfactory showing being made, the Commission will by supplemental order authorize the issue of 7 per cent Series "B" bonds for the purposes indicated in this application, and the

execution of a general mortgage when a copy of such mortgage in form satisfactory to the Commission has been filed with the Commission.

I herewith submit the following form of Order:

O R D E R.

GREAT WESTERN POWER COMPANY OF CALIFORNIA having applied to the Railroad Commission for permission to execute a general mortgage, to issue \$3,500,000.00 of 8 per cent 10-year bonds and issue, pledge and exchange Series "B" 7 per cent bonds, 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 the issue of the bonds herein authorized 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 GREAT WESTERN POWER COMPANY OF CALIFORNIA be, and it is hereby, authorized to issue and sell, for cash, on or before March 1, 1921, at not less than 93 per cent of their face value plus accrued interest, \$3,500,000.00 of its 8 per cent 10-year general mortgage convertible bonds and use such part of the proceeds as may be necessary to complete its Caribou development and the transmission line referred to in applicant's Exhibits "B" and "C", provided:-

- (1).-- That, the authority herein granted will not become effective until the Commission by supplemental order or orders has authorized applicant to execute a general mortgage securing the payment of the bonds;
- (2).-- That, the authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.
- (3).-- That, any proceeds from the sale of the bonds not necessary to pay for the completion of the Caribou development and the transmission line referred to in Exhibits "B" and "C" be expended only for

such purposes as the Railroad Commission may authorize by a supplemental order or orders herein.

(4).--That, the Great Western Power Company of California will 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.

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 Los Angeles, California, this 17th day of August, 1920.

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H. Matheson

Edwin O. Edgerton
H. D. Loveland
Frederick T. Wilson
H. C. Brundage
Irving Mactan
Commissioners.