

Decision No. 28041

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SIERRA AND SAN FRANCISCO POWER COMPANY)
and PACIFIC GAS AND ELECTRIC COMPANY)
for an order of the Railroad Commis-)
sion authorizing applicants to amor-)
tize on or before December 1, 1964 the)
unamortized discount and expense ap-) Application No. 20604
plicable to the redeemed bonds herein)
mentioned and the premium paid upon)
such redemption.)

C. P. Cutten and R. W. DuVal, for applicants.

BY THE COMMISSION:

OPINION

ORIGINAL

Sierra and San Francisco Power Company in the above entitled matter reports that on July 1, 1935 it redeemed all of its second mortgage five percent., Series B, gold bonds, of which there were outstanding in the hands of the public on that date \$7,361,000. principal amount. It further reports that at the date of redemption there was on its books an unamortized balance of discount and expense pertaining to such bonds, of \$1,714.72; that the premium necessary to effect the redemption amounted to \$368,050.00; and that the expenses necessarily incurred in connection therewith were \$4,238.90, the three items aggregating \$374,003.62. The company alleges that the funds used by it in redeeming its bonds were loaned to it by Pacific Gas and Electric Company and that the latter company obtained the funds so loaned from the issue and sale of its first and refunding mortgage bonds, Series G, 4%, due December 1, 1964 and from funds in its treasury.

The application shows that Sierra and San Francisco Power Company subsequent to the date of redemption of its bonds, conveyed on April 7, 1936, all of its properties to Pacific Gas and Electric Company, pursuant to authority granted by Decision No. 28518, dated January 20, 1936, as amended. Pacific Gas and Electric Company accordingly is a party to this application.

The uniform system of accounts prescribed by the Commission by Decision No. 11353, dated December 13, 1922, for electrical corporations provides that upon the redemption of bonds by such companies the balances of unamortized discount and expense and the premiums paid are chargeable forthwith to profit and loss. However, applicants propose, and ask permission, to deviate from the provisions of the uniform system of accounts and to amortize the aforesaid sum of \$374,003.62 on or before December 1, 1964, the date of maturity of the Pacific Gas and Electric Company Series G bonds.

The Commission on occasions, good cause being shown, has permitted utilities to make similar deviations. In the present case we believe that for accounting purposes and convenience the request may be granted. Our order in this matter, however, is permissive only and is not to be taken as depriving the Commission of the power to withdraw its permission, at any time, or as binding it to the acceptance of the entries accounting for such amortization, if involved in other proceedings. We do not believe that the annual charges to be made in the future to amortize the discount, expense and premium pertaining to the bonds now retired should be considered as a part of the cost of money borrowed by Pacific Gas and Electric Company.

O R D E R

Sierra and San Francisco Power Company and Pacific Gas and Electric Company having filed the above entitled application with the Railroad Commission for an order authorizing the deviation from the uniform system of accounts heretofore prescribed by the Commission, as indicated in the foregoing opinion, and the Commission being advised in the premises and being of the opinion that this is not a matter in which a public hearing is necessary and that the application should be granted, subject to the limitations expressed in the aforesaid opinion,

IT IS HEREBY ORDERED that Decision No. 11353, dated December 13, 1922, be, and it hereby is, modified so as to permit the charging of the sum of \$374,003.62, referred to in the foregoing opinion, to Account 131-Unamortized debt discount and expense, and the amortization of the same, by charges to income or profit and loss, on or before December 1, 1964.

DATED at San Francisco, California, this 29th day of June, 1936.

W B Lewis
W H Linn
W J Linn
James R. Linn
Commissioners.