

Decision No. 28270

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CALIFORNIA PUBLIC SERVICE COMPANY  
to issue \$400,000. principal amount  
of bonds and 3,000 shares of no par  
value of common stock at a stated or  
declared value of \$100. per share or  
\$300,000. )

) Application No. 20466

Orrick, Palmer & Dahlquist, for applicant.

BY THE COMMISSION:

OPINION

**ORIGINAL**

In this application, as amended, California Public Service Company asks for an order authorizing it to execute an indenture of mortgage, to issue \$400,000. of first mortgage bonds, Series A 5%, due 1961, and 3,000 shares of common stock of no par value at a stated or declared value of \$100. per share.

California Public Service Company is a corporation organized under the laws of the State of California and engaged in the business of supplying electric energy to the public in and about Fort Bragg, Mendocino and Alturas in California and in and about Lakeview in Oregon. It appears that the greater portion of its business is obtained from sales in this state, its 1935 annual report, for example, showing gross revenues received from operations in California at \$120,800.09, and from operations in Oregon at \$55,127.16.

The company was organized on or about June 12, 1926 with an authorized capital stock of 2,000 shares, all common, of the par value of \$100. each. Thereafter it amended its Articles of Incorporation so as to increase its authorized capital stock to 4,000 shares, all common, of the par value of \$100. each. It now proposes to further

amend its articles so as to change the capital stock from 4,000 shares of the par value of \$100. each to 4,000 shares of no par value and to issue 1,864 shares of the no par stock in exchange, on a share for share basis, for 1864 shares now outstanding of the par value of \$100. each and of the aggregate par value of \$186,400.

Heretofore the company has issued its stock and bonds as follows:-

<u>Authorization</u>	<u>Stock</u>	<u>Bonds</u>
1. Decision No. 17393, Sept. 25, 1926; For property of Alturas Electric Power Co. . . . .	\$ 46,500.	\$ 79,000.
For property of Mendocino Light & Power Co. . . . .	10,500.	21,000.
2. Decision No. 17548, Oct. 13, 1926; For properties of Fort Bragg Electric Co. . . . .	35,000.	65,000.
3. Decision No. 18542, June 25, 1927; For property of Jensen Light, Heat & Power Co. . . . .	36,400.	48,000.
4. Decision No. 21217, June 10, 1929; For additions and betterments from dates of above acquisitions to March 31, 1929 . . . . .	58,000.	76,000.
Totals .....	\$186,400.	\$ 289,000.

It appears that all of the stock, except directors' shares, and all of the bonds were issued to Peoples Light and Power Corporation, a Delaware corporation, and were deposited with the trustee as security for that company's bonds.

Applicant has issued no stock nor bonds to finance construction costs incurred subsequent to March 31, 1929. The application shows that between March 31, 1929 and December 31, 1935 the company expended \$347,726.36 for net additions and betterments which appear to have been financed with moneys borrowed from Peoples Light and Power Corporation and moneys represented by reserves and surplus. As of December 31, 1935 it reports due the holding company a demand note of \$227,500, and interest and other indebtedness of \$22,328.90,

reserves of \$161,804.13 and earned surplus at \$18,270.79. The company's reports indicate that interest is accrued on the advances from the parent company at the rate of six percent. per annum. According to the amended application the amount due Peoples Light and Power Corporation had increased to \$259,909. on September 30, 1936, consisting of an unsecured demand note of \$227,500., unpaid interest of \$32,342.98 and open account indebtedness of \$66.02.

In order to liquidate the note of \$227,500, due Peoples Light and Power Corporation, applicant now proposes to issue additional stock and bonds. It is set forth in the application that it intends to issue 5% bonds in the aggregate amount of \$400,000. under a new mortgage and to exchange \$289,000. thereof for the \$289,000. of 5½% bonds now outstanding and to deliver the remaining \$111,000. thereof and 1136 shares of additional common stock in payment of \$224,600. of indebtedness. The remainder of the note due the holding company, to-wit, \$2,900., will be paid with cash now on hand or carried in an open account as may be determined by the financial condition of the company.

In support of the request to issue additional stock and bonds the company has filed a balance sheet showing its assets and liabilities as of September 30, 1936 adjusted to give effect to the proposed transactions, assuming the plan will be consummated as of December 31, 1936, as follows:-

<u>ASSETS</u>		
Fixed capital . . . . .		\$839,634.74
Current assets:		
Cash . . . . .	\$105,262.61	
Notes and accounts receivable . . . . .	27,550.51	
Materials and supplies . . . . .	16,414.06	
Other . . . . .	<u>3,189.32</u>	152,416.50
Special deposits . . . . .		7,000.00
Unamortized debt discount and expense . . . . .		5,000.00
Suspense (Credit balance) . . . . .		<u>1,120.71</u>
Total . . . . .		<u>\$1,002,930.53</u>

<u>LIABILITIES</u>		
Capital stock-Common(3000 shares-no par value) . . . . .	\$	300,000.00
Funded debt-First mortgage bonds, Series A 5%, due 1961 . . . . .		400,000.00
Due Peoples Light and Power Corporation . . . . .		62,508.59
Current and accrued liabilities:		
Estimated reorganization expense . . . . .	\$	5,000.00
Accounts payable . . . . .	30,068.08	
Taxes accrued . . . . .	9,705.96	
Interest accrued . . . . .	20,000.00	
Other accrued liabilities . . . . .	<u>2,290.11</u>	67,064.15
Consumers' and other deposits . . . . .		5,215.59
Reserves:		
Retirement . . . . .	\$124,339.78	
Casualty and insurance . . . . .	5,150.66	
Contributions for extensions . . . . .	5,006.18	
Uncollectible accounts . . . . .	2,668.05	
Miscellaneous . . . . .	<u>4,196.39</u>	141,361.06
Capital surplus . . . . .		3,184.22
Earned surplus . . . . .		23,596.92
Total . . . . .	\$	<u>1,002,930.53</u>

It appears to be applicant's intention to transfer to the open account indebtedness of Peoples Light and Power Corporation the accrued and unpaid interest on the 5½% bonds now to be refunded.

In its financial reports heretofore filed with the Commission the company has reported income deductions because of interest on funded debt and other indebtedness and amortization of debt discount and expense at \$31,575.00 in 1933, \$30,256.90 in 1934 and \$30,110.80 in 1935. With the refinancing program, as here proposed, completed, its fixed charges, so it reports, will include \$20,200. for interest and for amortization of debt discount and expense. For the calendar year 1935 it reports a profit, after all deductions, of \$10,457.34, whereas the present application indicates that had the proposed financial set-up been in effect during the year the net profit would have amounted to \$19,709.78, or approximately equivalent to \$6.56 a share on 3000 shares of stock.

The new bonds will be designated First Mortgage Bonds, Series A, due 1961, will be dated as of January 1, 1936, will mature on January 1, 1961, will bear interest at the rate of 5% per annum and will be callable at face value and accrued interest.

The bonds will be secured by a new trust indenture, a copy of which was filed in this proceeding on October 15, 1936.

The indenture is a chattel mortgage as well as a mortgage upon real estate and other property. We find the proposed indenture to be in satisfactory form except that subdivision (4) under paragraph A, Section 18, should be amended so as to read -

"(4) Any motor cars or vehicles; or any materials, supplies, appliances, merchandise and equipment purchased or acquired for the purpose of sale in the ordinary course of business or for the purpose of consumption in the operation of any of the properties of the Company and not chargeable to fixed capital accounts under the system of accounts prescribed by governmental authorities having jurisdiction in the premises, or in the absence of such system of accounts, by standard accounting practises; or "

Though the order herein authorizes the company to execute an indenture defining the terms and conditions under which it may issue bonds, the Commission reserves the right irrespective of any provisions in said indenture, to determine in subsequent proceedings the amount of bonds which it will authorize the company to issue and the basis on which such bonds may be issued.

#### ORDER

California Public Service Company having applied to the Railroad Commission for permission to execute an indenture of mortgage and to issue \$400,000. of bonds and 3000 shares of common stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the bonds and stock is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED that California Public Service Company be, and it hereby is, authorized to execute an indenture of mortgage substantially in the same form as that filed in this proceeding on October 15, 1936, amended as indicated in the foregoing opinion, provided that the authority herein granted is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said indenture of mortgage as to such other legal requirements to which it may be subject; and provided further that the Commission reserves the right, irrespective of any provisions of said indenture of mortgage, to determine in subsequent proceedings the amount of bonds which it will authorize the company to issue and the basis on which such bonds may be issued.

IT IS HEREBY FURTHER ORDERED that California Public Service Company be, and it hereby is, authorized to issue, on or before March 31, 1937, \$400,000. of its first mortgage 5% bonds, Series A, due 1961, at not less than face value, and 1136 shares of its common capital stock at \$100. per share, and to deliver said bonds and stock in exchange for the \$289,000. of first mortgage 5½% bonds now outstanding and \$224,600. of notes due Peoples Light and Power Corporation.

IT IS HEREBY FURTHER ORDERED that California Public Service Company be, and it hereby is, authorized to issue on or before March 31, 1937, 1864 shares of no par value common stock in exchange, on a share for share basis, for the 1864 shares of common stock now outstanding of the par value of \$100. each.

IT IS HEREBY FURTHER ORDERED that California Public Service Company shall file with the Railroad Commission (1) two certified copies of its indenture of mortgage within thirty(30) days after its

execution; (2) a report of the issue of the bonds and stock herein authorized, as required by the Railroad Commission's General Order No. 24-A, within thirty(30) days after such issue; (3) a statement in detail of the expenses incurred by it because of the issue of the bonds herein authorized, such statement to be filed on or before June 30, 1937; and (4) a certified copy of its proposed certificate of amendment of its Articles of Incorporation.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Eleven(\$111.00) Dollars, and when it has filed with the Commission the said amendment to its Articles of Incorporation.

DATED at San Francisco, California, this 16th day of November, 1936.

M. B. Harris  
Leon A. Whittell  
W. J. Carr  
W. H. ...  
Frank ...

Commissioners.

Fee \$ 111 <sup>00</sup>/<sub>100</sub>  
RAILROAD COMMISSION  
STATE OF CALIFORNIA  
NOV 17 1936  
SECRETARY  
Fee # 33027