

Decision No. 32598

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA PUBLIC SERVICE COMPANY for an order authorizing it (1) to execute and deliver its First Supplemental Indenture supplemental to its Indenture of Mortgage dated as of January 1, 1936, executed to American Trust Company and B. B. Brown, as Trustees; (2) to issue \$500,000 principal amount of a new series of its First Mortgage Bonds; and (3) to issue 16,480 shares of its capital stock of the par value of \$25 a share.

ORIGINAL

Application No. 23073

Orrick, Dahlquist, Neff & Herrington,
by T. W. Dahlquist for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding, the Railroad Commission is asked to enter its order authorizing California Public Service Company to issue \$500,000, principal amount, of First Mortgage Bonds, Series "B" $4\frac{1}{2}\%$, due November 1, 1964, and 16,480 shares of its common capital stock of the par value of \$25 per share, all for the purposes hereinafter stated, and to authorize California Public Service Company to execute and deliver its first supplemental indenture, substantially in the same form as that filed in this proceeding as Exhibit 4 as amended.

California Public Service Company is a corporation, duly incorporated under the laws of the State of California. It is engaged in, and has for some years past been engaged in, the

business of supplying electricity to the public in Fort Bragg, Mendocino, Alturas and in the vicinity of said cities in California, and in Lakeview and vicinity in Oregon. The company, through stock ownership, is controlled by the Peoples Light and Power Company.

As of August 31, 1939, the California Public Service Company reports assets and liabilities as follows:

ASSETS

Property, Plant and Equipment (Including Intangibles) -	\$ 943,450.99
Miscellaneous Investments	41.50
Cash	22,810.24
Special Deposits	1,322.35
Accounts Receivable:	
Consumers	25,844.80
Merchandise and Jobbing, including Installment Accounts	15,198.63
Miscellaneous	11,546.13
Materials and Supplies:	
General	18,648.66
Merchandise	6,873.29
Fuel	1,326.14
Prepayments	348.80
Deferred Debits:	
Retirement Work in Progress	633.07*
Other	202.82
Total	<u>\$1,017,481.28</u>

* Denotes red figure.

LIABILITIES

Capital Stock:	
Common Stock - No Par Value	\$ 300,000.00
Long Term Debt:	
First Mortgage Bonds, Series A, 5%, due 1961	400,000.00
Advances from Parent Company: Open Account	113,000.00
Accounts Payable	11,939.44
Customers Deposits	6,462.30
Taxes Accrued	19,279.23
Interest Accrued:	
Long Term Debt - Bonds	3,333.34
Open Account - Parent Company	941.66
Other Current and Accrued Liabilities	1,597.28
Deferred Credits:	
Customers Advances for Construction	2,656.31
Other	621.70
Reserves:	
Retirement	87,383.49
Uncollectible Accounts	2,105.75
Injuries and Damages	5,067.35
Other	2,884.41
Contributions in Aid of Construction	3,200.70
Surplus	<u>87,006.32</u>
Total	<u>\$1,047,481.28</u>

The record shows that approximately \$280,000 of the company's investment represents properties situate in the State of Oregon. The remainder of its investment represents properties situate in California.

For the year ending August 31, 1939, the company reports operating revenues at \$245,569.43. This revenue is segregated to the company's three operating divisions as follows:

Fort Bragg	\$87,346.90
Alturas	72,438.39
Lakeview	85,284.14

Its operating expenses, including taxes and provision for depreciation, are reported as \$181,283.50, which it segregates to its operating divisions as follows:

Fort Bragg	\$59,387.25
Alturas	51,015.66
Lakeview	70,880.59

The company's gross income for the year ending August 31, 1939, that is, the amount available for the payment of interest, federal income taxes, dividends, and surplus is reported at \$66,394.13.

Applicant has presently outstanding \$400,000 of First Mortgage Bonds, Series "A," 5%, due in 1961, and 3,000 shares of no par value common stock to which it assigns a stated value of \$300,000. All of the bonds and all of the stock are owned by the Peoples Light and Power Company. In addition, it is indebted to said Peoples Light and Power Company in the sum of \$113,000.

Applicant proposes to refund all of its outstanding stock, bonds and indebtedness payable to said Peoples Light and Power Company, and obtain sufficient funds to pay the cost of building a transmission line from Alturas to Canby, and a sub-station at Alturas, California.

Applicant has entered into an agreement to sell to the Provident Mutual Life Insurance Company of Philadelphia at par and accrued interest \$500,000 of its First Mortgage Bonds, Series "B," 4½%, due November 1, 1964. It will, however, pay a brokerage commission of not to exceed one per cent of the principal amount of the Series "B," bonds sold. Of the proceeds realized from the sale of said bonds, it will use \$400,000 to pay its 5% bonds now outstanding and to pay \$51,000 of the open-

account indebtedness due said Peoples Light and Power Company. The remaining \$49,000 of the proceeds will be used by the company for the purpose of paying in part the cost of building an 18 mile, 66 K.V., three phase transmission line from Alturas to Canby, California and the construction of a substation and appurtenant equipment at Alturas. At Canby, California, applicant's transmission line will connect with a transmission line to be built by The California Oregon Power Company from Timber Mountain. A copy of the agreement under which these lines are being built and the rate which California Public Service Company has agreed to pay The California Oregon Power Company for electric energy is filed in this proceeding as Exhibit 10. The approval of this agreement is not an issue in this proceeding.

As indicated, applicant desires permission to issue 16,480 shares of its common capital stock of the aggregate par value of \$412,000. \$300,000 of the stock will be delivered to said Peoples Light and Power Company in exchange for applicant's common stock now outstanding; \$62,000 in part payment for the said open-account indebtedness, and \$50,000 as a stock dividend. The record shows that applicant has invested in its properties surplus earnings in excess of the \$50,000, which it intends to distribute as a stock dividend.

There has been filed in this proceeding as Exhibit 4, a copy of applicant's proposed first supplemental indenture supplementing and modifying its indenture of mortgage, dated January 1, 1936. At our suggestion, two changes have been made in this indenture since the hearing. We have no objection to it as it now reads. The supplemental indenture provides that the bonds

which applicant desires to issue may be redeemed at the option of the company as a whole at any time, or in part from time to time on any interest payment date or dates, at the following percentages of the principal amount thereof:-

105% up to and including October 31, 1944;
104 % on November 1, 1944 to and including October 31, 1949;
103 % on November 1, 1949 to and including October 31, 1954;
102 % on November 1, 1954 to and including October 31, 1959;
101 % on November 1, 1959 to and including October 31, 1960;
100-3/4 % on November 1, 1960 to and including October 31, 1961;
100-1/2 % on November 1, 1961 to and including October 31, 1962;
100-1/4 % on November 1, 1962 to and including October 31, 1963;
100 % on November 1, 1963 up to maturity,
together with accrued interest to date of redemption.

The company, in section three of the proposed supplemental trust indenture covenants and agrees that so long as any of the Series B bonds remain outstanding, it will pay to the corporate trustee as a sinking and improvement fund

"(A) on or before July 1, 1940 and on or before July 1 of each succeeding year to and including July 1, 1964, a sum equal to two per cent. (2%) of all Bonds of Series B issued, whether or not then outstanding, plus four and one quarter percent. (4 1/4%) of the total principal amount of all Bonds of Series B theretofore retired through the operation of this sinking and improvement fund to be used for the retirement of Bonds of Series B as hereinafter provided in this Section 3.

(B) on or before July 1, 1942 and on or before July 1 of each succeeding two years to and including July 1, 1964, a sum determined as follows:

An amount equal to three per cent. (3%) of the average gross book value of its depreciable electric properties for each calendar year, beginning with the calendar year 1940, determined on the basis of the amounts set forth on the books of account at the beginning and at the end of each calendar year, for each two calendar year period, less

(1) an amount equal to the expenditures made by the Company during the two calendar years next preceding the date each payment is due, pursuant to this paragraph (B) for renewals and replacements to its depreciable properties (exclusive of expenditures out of proceeds from insurance moneys, expenditures properly chargeable to operating expenses and expenditures theretofore certified as the basis of the release of cash deposited pursuant to this paragraph (B)); and

(ii) the amount of the sinking fund payments of two per cent. (2%) of the Series B Bonds issued, made by the Company pursuant to paragraph (A) above during the two calendar years next preceding the date each payment is due pursuant to this paragraph (B). "

The company covenants that if, and when, it acquires any water properties, it will increase the amount to be paid to the corporate trustee as a sinking and improvement fund by an amount equal to 2% of its depreciable water properties, or such lesser amount as shall be prescribed by any governmental authorities having jurisdiction in the premises. Any bonds redeemed by the company through the operations of the sinking and improvement fund are redeemable at par and accrued interest.

O R D E R

A public hearing having been held in the above entitled matter by Examiner Fankhauser, and the Commission having considered the testimony submitted at the hearing and the record in this proceeding, and it being of the opinion that the California Public Service Company should be authorized to issue \$500,000 of bonds and \$412,000 of common stock for the purpose herein stated; that the money, property or labor to be procured or paid for by the issue of said bonds and stock is reasonably required by applicant for the purposes herein stated; that the expenditures for said purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. California Public Service Company may, after the effective date hereof and prior to April 1, 1940, execute a first supplemental indenture in form substantially the same as the

first supplemental indenture filed in this proceeding as Exhibit 4, as amended by a letter dated November 27, 1939, provided that the authority herein granted to execute a supplemental indenture is for the purpose of this proceeding only and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental indenture as to such other legal requirements to which it may be subject.

2. California Public Service Company may, after the effective date hereof and prior to April 1, 1940, issue and sell at not less than their face amount and accrued interest \$500,000 of its First Mortgage Bonds, Series "B," 4½%, due November 1, 1964, and use the proceeds for the following purposes:

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|--|-----------|
| (a) To pay outstanding 5% Bonds. | \$400,000 |
| (b) To pay other outstanding indebtedness. | 51,000 |
| (c) To pay in whole or in part the cost of acquiring and building the transmission line, substation and appurtenant equipment described in Exhibits 5, 6, 7, 8, 9, and 10. | 49,000 |

3. California Public Service Company may, after the effective date hereof and prior to April 1, 1940, issue 16,480 shares of its common stock of the par value of \$25 per share for the following purposes:

- | | |
|---|-----------|
| (a) 12,000 shares to refund outstanding
3,000 shares of no par value stock | \$300,000 |
| (b) 2,480 shares to pay open account
indebtedness | 62,000 |
| (c) 2,000 shares to reimburse its treasury
because of income expended for additions
and betterments | 50,000 |

4. Within thirty (30) days after the execution of the first supplemental indenture authorized herein, California Public Service Company shall file with the Railroad Commission two certified copies of said instrument as executed.

5. The authority herein granted will become effective when California Public Service Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$100.

6. California Public Service Company shall file monthly reports in compliance with the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

Dated at San Francisco, California, this 5th day of December, 1939.

Robert W. [unclear]
Stanley [unclear]
Ray H. Carey
[unclear]
Justus J. Coe
Commissioners

