

Decision No. 11590.**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the)  
 CENTRAL MENDOCINO COUNTY POWER COMPANY )  
 for an order authorizing the issuance ) Application No. 11604  
 of 25,000 shares of common stock and )  
 \$30,000. in short term notes. )

Edward Morris, for applicant.

BY THE COMMISSION:

OPINION

In this application Central Mendocino County Power Company asks permission to issue 25,000 shares of its common stock of the aggregate par value of \$25,000., and \$30,000. of short term five percent notes.

Central Mendocino County Power Company was organized on or about March 20, 1922 primarily for the purpose of acquiring and operating public utility electric and water systems in and about the Town of Willits. To this end it purchased the electric distributing system formerly owned by Northwestern Redwood Company; the water system formerly owned by Willits Water and Power Company; constructed a 22,000 volt transmission line to Potter Valley, a distance of fifteen miles, to connect with the lines of Snow Mountain Water and Power Company, from whom the electric energy is purchased, and constructed a dam at Dutch Flat, near Willits, in order to develop and insure an adequate supply of water. In this connection reference is made to Decision No. 11542, dated January 23, 1923, and Decision No. 11543, of the same date. (Vol. 22, Opinions and

Orders of the Railroad Commission of California at pages 933 and 938 respectively).

Applicant reports, in this proceeding, that up to August 31, 1925 it has expended \$336,154.23 in constructing and acquiring its properties and in making additions and betterments. The general segregation of this amount, together with the other asset accounts and the liability accounts, is shown in the balance sheet of the company as of August 31, 1925, as follows:-

ASSET ACCOUNTS:-

Fixed capital:	
Organization . . . . .	\$10,380.44
Franchises and nonoperative lands . . . . .	12,449.60
Electric operative property . . . . .	93,245.06
Water operative property . . . . .	213,804.55
General property . . . . .	6,274.58
Total fixed capital . . . . .	\$336,154.23
Sinking fund assets . . . . .	4,096.89
Cash . . . . .	6,203.29
Notes and accounts receivable . . . . .	7,659.43
Materials and supplies . . . . .	864.64
Prepayments . . . . .	1,998.51
Unamortized discount on stock . . . . .	16,073.67
Unamortized discount on bonds . . . . .	15,862.45
Total asset accounts . . . . .	<u>\$688,913.11</u>

LIABILITY ACCOUNTS:-

Capital stock . . . . .	\$166,182.00
Funded debt . . . . .	131,500.00
Notes payable . . . . .	35,435.00
Accounts payable . . . . .	33,193.07
Accruals . . . . .	4,795.27
Consumers deposits and service charges . . . . .	1,058.22
Reserve for depreciation . . . . .	7,060.54
Surplus . . . . .	9,689.01
Total liability accounts . . . . .	<u>\$388,913.11</u>

The foregoing balance sheet shows outstanding against the properties \$166,182.00 of stock, \$131,500.00 of bonds, and \$35,435.00 of notes; a total of \$333,117.00 of securities. It appears, however, that the bonds and stock were issued at discounts, the total unamortized balance as of the date of the balance sheet being \$31,936.12. Deducting this amount from the \$333,117.00 leaves a balance of

\$301,180.88, which in turn, deducted from the total reported expenditures for fixed capital amounting to \$336,154.23, leaves a balance of \$34,973.35, which was obtained from sources other than securities.

The application and the testimony herein indicate that the cost of the company's properties was financed in part through open account indebtedness which, as of August 31st, amounted to \$35,193.07. It appears to be applicant's intention to liquidate this amount and for this purpose it reports that it has on hand \$6,203.29 in cash, \$8,818.00 of preferred stock unsold, and \$4,000.00 of bonds unsold, which stock and bonds have heretofore been authorized by the Commission, the three items aggregating \$19,021.29 and leaving a balance of about \$14,000.00 not provided.

Applicant now asks permission to issue \$25,000. of common stock and to sell such stock at 80, a price netting it \$20,000. Of this amount it proposes to use approximately \$14,000. to provide the balance necessary to liquidate the indebtedness and to use the remaining proceeds of \$6,000. to provide working capital and to pay for miscellaneous routine additions and betterments to be made during the coming year.

In addition, applicant asks permission to issue \$30,000. of three year five percent notes for refunding purposes. In this connection it reports outstanding notes of \$35,435.00, which include the following:-

<u>Payer</u>	<u>Maturity</u>	<u>Interest</u>	<u>Amount</u>
H.B. Muir	Aug. 7, 1926	5%	\$10,000.00
G. Van Cleemput	"	5%	10,000.00
Northwestern Redwood Co.	"	5%	10,000.00
Bank of Willits	Nov. 6, 1925	6%	5,435.00
	Total.....		<u>\$35,435.00</u>

It appears that the three notes for \$10,000.00 originally were issued in August, 1924, for one year, but were renewed upon maturing in 1925, for one year more, the renewal inadvertently being

done without an order from the Commission. The company therefore now asks permission to issue notes for \$30,000.00 in lieu of those now outstanding. Although the request contained in the application covers the issue of three year notes, it is the company's intention to issue at first one year notes maturing August 7, 1926 and thereafter to renew them, if necessary, for a further period of two years. The order herein will authorize the issue of three year notes but will provide that such notes may be issued for less than three years and renewed from time to time without further order from the Commission, provided that the terms of the notes to be issued at first, plus the renewals thereof, do not exceed a period of three years from August 8, 1925. This will permit the company to renew the notes on August 7, 1926 without the necessity of again coming before the Commission at that time. The remaining note for \$5,435.00 will be paid on maturity.

#### O R D E R

Central Mendocino County Power Company, having applied to the Railroad Commission for permission to issue and sell \$25,000. of its common stock and \$30,000. of notes. a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue and sale is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Central Mendocino County Power Company be, and it is hereby, authorized to issue and sell, on or before June 30, 1926, at not less than 80 percent of par value, \$25,000. of its common capital stock and to use approximately \$14,000.00 of the

proceeds to pay outstanding indebtedness incurred in the construction and acquisition of properties, and approximately \$6,000. to provide itself with working capital and to finance the cost of additions and betterments;

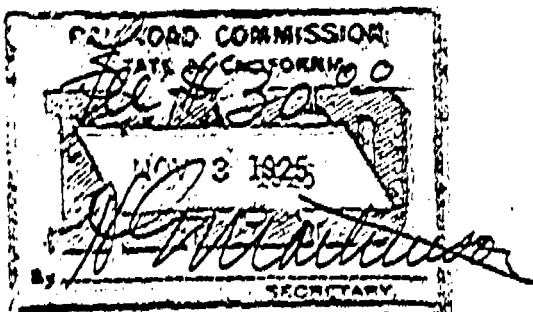
IT IS HEREBY ORDERED that Central Mendocino County Power Company be, and it is hereby, authorized to issue \$30,000.00 of notes payable on or before three years after date, with interest at not exceeding five percent per annum, for the purpose of refunding the three outstanding notes for \$10,000.00 each, to which reference is made in the foregoing opinion.

The authority herein granted is subject to the following conditions:-

1. Applicant may, if it so desires, issue the notes for less than three years and renew them from time to time, provided that the terms of the notes originally issued and of those issued in renewal thereof, do not extend beyond three years from August 8, 1925.
2. The authority herein granted to issue stock shall become effective upon the date hereof. The authority granted to issue notes shall become effective only when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$30.
3. Central Mendocino County Power Company shall keep such record of the issue, sale and delivery of the stock and notes 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.

DATED at San Francisco, California, this 31<sup>st</sup> day of  
October, 1925.



H. H. Brundage  
C. L. Smith  
George D. Squires

Commissioners.