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Decision No. 18818.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SMITH RIVER POWER COMPANY,)
a voluntary association, and Smith)
River Power Company, a corporation,)
for an order authorizing the sale)
and conveyance of certain lands, ten-)
ements and property belonging to said)
Smith River Power Company, a volun-)
tary association, to Smith River)
Power Company, a corporation, and for)
permission to said Smith River Power)
Company, a corporation, to issue)
stock or stock certificates or bonds,)
notes or other evidences of indebted-)
ness payable at periods of more than)
twelve months after date thereof.)

ORIGINAL

Application No. 13820

Hersck and McNulty, for applicants.

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing, Smith River Power Company, an association, asks permission to sell and transfer its public utility properties to Smith River Power Company, a corporation, which asks the Commission to declare that public convenience and necessity require it to construct and operate an electric plant, to issue \$15,000.00 of stock, and not exceeding \$6,000.00 of notes for the purpose of acquiring the properties which the Smith River Power Company, an association, intends to sell to the corporation.

Smith River Power Company, a corporation, was organized on or about March 18, 1927, with an authorized capital stock of \$25,000.00 divided into 1000 shares of \$25.00 each. The articles of incorporation show that \$15,000.00 of stock has been subscribed for by C. Romander(\$5,000.) Wm. K. Owen(\$5,000.) and Clarence W. Westbrook(\$5,000.) The corporation was organized, among other things, for the purpose of acquiring the properties of Smith River Power Company, an association, operating under a declaration of trust. The properties consist of the water system known as the Anthony Water Works, supplying the town of Smith River, and an electric light plant. The water plant was in operation prior to March 23, 1912. The record shows that about three years ago several residents of Smith River organized an association for the purpose of operating the water system and constructing an electric light plant to be operated on a mutual basis. During the early part of this year the electric light plant was destroyed by fire. The association has rebuilt the same and is now furnishing electric energy to its members and others. Neither the association nor the corporation obtained permission from the Commission to construct and operate the electric light plant. Such permission is, however, sought in this proceeding. The territory to be served by the electric light plant comprises Section 26 and 35 of Township 18, North Range, one West Humboldt Meridian; Section 2, Township 17, North Range one West Humboldt Meridian and the East one half of Section 27, Township 18, North Range one West Humboldt Meridian.

The testimony shows that the electric transmission and distribution lines have been constructed under a permit, not a franchise, obtained from the Board of Supervisors of Del Norte County. It occurs to us that the Smith River Power Company, a corporation, should obtain a franchise from the Board of Supervisors of Del Norte

County, to use the highways and other public places in the conduct of its business. Pending the acquisition of such franchise, the order herein will grant to the corporation permission to complete and to continue to operate the electric light plant.

The depreciated cost of the properties to be transferred to the corporation is reported as follows:-

Power plant	\$ 8,920.45
Transmission and distribution lines	4,631.41
Water system.	3,091.55
Land	392.33
Power House	966.84
Fuel on hand.	20.00
Accounts receivable	<u>466.28</u>
Total.....	\$18,488.66

There is now due on the power plant to Fairbanks Morse and Company the sum of \$4,000.00 represented by an open account. The association is indebted to other parties in the sum of approximately \$1,000.00. The corporation asks permission to issue at par \$15,000. of stock to acquire the properties of the Smith River Power Company, an association, and assume the indebtedness of that association. If it becomes necessary, the corporation will at a later date, issue notes to pay such indebtedness and extend its water and electric light system. For that reason it asks permission to issue not exceeding \$6,000.00 face amount of notes, payable on or before five years after date with interest not to exceed seven percent per annum. It will not place a mortgage on its properties unless required by the person from whom it obtains the loan. If it does become necessary to execute a mortgage it will file a supplemental application in this proceeding for permission to execute such mortgage.

Smith River has a population of about 350. The electric light plant serves approximately 70 consumers and the water plant, 65. During 1926 the income from the water works is reported at \$1,336.50 and from the electric plant, \$2,945.38. The expenses,

as reported, consist of

Fuel oil .c.....	\$781.71
Labor.....	1,200.00
Repairs	136.25
Insurance.....	<u>111.80</u>

Making a total expense of..... \$2,229.76

No one appeared at the hearing to protest the granting of this application. A representative of Hobbs, Wall and Company which operates the electric light system at Crescent City was at the hearing and stated that his company had no desire to extend its system to Smith River. There is no question but that the continued operation of the electric light plant, as well as the water system, meets a public necessity.

ORDER

The Railroad Commission having been asked to declare that public convenience and necessity require Smith River Power Company, a corporation, to acquire, construct and operate an electric light plant, and to enter its order authorizing the Smith River Power Company, a voluntary association, to transfer its properties to Smith River Power Company, a corporation, and to authorize such corporation to acquire said properties and issue stock and assume indebtedness in payment therefor, and to issue not exceeding \$6,000. of notes, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that this application should be granted, as provided in this order, and that the money, property or labor to be procured or paid for by the issue of the stocks and notes herein authorized, is reasonably required by said corporation, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

THE RAILROAD COMMISSION HEREBY DECLARES that hereafter upon the filing of a certified copy of an ordinance of the County of Del Norte granting to Smith River Power Company, a corporation, a franchise, and a stipulation in which the corporation agrees that it, its successors and assigns will never claim a value of said franchise in excess of the amount actually paid to said County of Del Norte for said franchise, the Railroad Commission will declare that public convenience and necessity require and will require the exercise by Smith River Power Company, a corporation, of the rights and privileges granted to it by such ordinance, subject to such terms and conditions as the Railroad Commission may prescribe.

IT IS HEREBY ORDERED that Smith River Power Company, a voluntary association, be, and it is hereby, authorized to transfer to Smith River Power Company, a corporation, the properties described in paragraph four of the petition in this proceeding, said properties in general consisting of a water system supplying the town of Smith River, and the electric light plant supplying said town and community with electricity, said Smith River Power Company, a corporation, may operate said properties, subject to the condition that it shall within four months after the date hereof file with the Commission a certified copy of an ordinance of the Board of Supervisors of Del Norte County permitting it to use the highways and other public places in the territory which it intends to serve.

IT IS HEREBY FURTHER ORDERED that the Smith River Power Company, a corporation, be, and it hereby is, permitted to acquire the aforesaid properties and to issue in payment therefor not exceeding \$15,000.00 par value of its common capital stock and to assume the indebtedness of said Smith River Power Company, an association, said indebtedness not to exceed \$5,000.00.

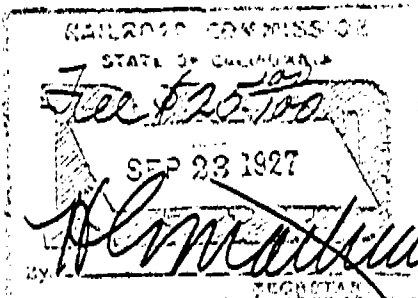
IT IS HEREBY FURTHER ORDERED that Smith River Power Company, a corporation, be, and it is hereby, authorized to issue a note for the sum of not exceeding \$6,000.00 payable on or before five years

after date with interest at not exceeding seven percent per annum, and use the proceeds obtained from the issue of such note to pay the indebtedness which it may assume from the Smith River Power Company, an association, or to construct extensions and additions to its power and water plant, provided that if the company issues a note for a period of less than five years it may renew the same from time to time until the term of the original note and the terms of all renewals thereof aggregate five years from and after the date thereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the Smith River Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00, and that Smith River Power Company, a corporation, shall keep such record of the issue 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 insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that within 60 days after the acquisition of the properties referred to herein, Smith River Power Company shall file with the Railroad Commission a certified copy of the deed or other instrument under which it acquires and holds title to said properties.

DATED at San Francisco, California, this 19th day of September, 1927.



Ernest
Chase
Leon
W. D. ...

Commissioners.