

ORIGINAL

Decision No. 1280

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :
 of JAMES A. GUNN, Jr., to issue a :
 promissory note and to mortgage : Application No. 888.
 his hydroelectric and irrigation :
 systems in Lake county, Califor- :
 nia. :

LOVELAND, Commissioner.

OPINION

This is an application by James A. Gunn, Jr., for authority to issue a promissory note for \$8,000.00 and to mortgage his entire hydroelectric and irrigation systems in Lake county, California as security for said note.

F. G. Gunn, a brother of applicant, has heretofore advanced to applicant sums of money aggregating \$5,000.00, all of which money has been expended by applicant in the development of his hydroelectric and irrigation systems. F. G. Gunn has undertaken to advance to applicant an additional \$3,000.00 which will make a total of \$8,000.00, for which applicant desires to issue a promissory note and to give a mortgage upon his property. The \$3,000.00 which applicant will now receive from F. G. Gunn are to be used in paying an indebtedness of \$500.00 which applicant owes to the Cloverdale Light and Power Company and the remainder is to be used in completing applicant's pumping plant and irrigation system in the vicinity of Kelseyville, California, and also in making minor extensions to the transmission lines of applicant's hydroelectric system in Lake county.

At the hearing upon this application, Mt. Konocti Light and Power Company, represented by A. V. Joslin, appeared and stated that it would protest against the granting of this application if any of the money borrowed by applicant was to be used in extending

applicant's hydroelectric system into territory now served by the Mt. Konocti Light and Power Company.

Under Application No. 147, decided August 23, 1912, in which application the Mt. Konocti Light and Power Company asked for a certificate of public convenience and necessity to construct a system for the transmission and distribution of electric energy in Lake county, California, it was held that such certificate was not necessary for the reason that the territory in which the company proposed to construct its electric system was not then occupied by any electric company.

Under Application No. 162, in which application James A. Gunn, Jr., of Kelseyville, Lake county, California, also applied for a certificate of public convenience and necessity to extend his lines from Kelseyville into the territory not then occupied by any electric company, the same decision was made and both of these parties were told that they had the right to extend into any unoccupied territory.

Since that time, the Mt. Konocti Light and Power Company has extended a line through some portion of this territory and is now serving the public with electric energy, while James A. Gunn, Jr., applicant in Application No. 162, has confined his activities to the territory in and about Kelseyville.

The Commission is, therefore, of the opinion that James A. Gunn, Jr., having permitted about one year and six months to elapse since the decision in his former application was rendered, has not used due diligence in building his line into unoccupied territory and that, as the Mt. Konocti Light and Power Company has built its line into and is serving some portions of what was then unoccupied territory, if James A. Gunn, Jr., hereafter desires to construct his line into territory now occupied by the Mt. Konocti Light and Power Company, it will be necessary to secure a certificate of public convenience and necessity from this Commission before doing so.

I do not believe it will be necessary to make any provision in the Order to take care of the protest of Mt. Konocti Light and Power Company.

I submit herewith the following form of Order:-

O R D E R

James A. Gunn, Jr., having applied to this Commission for permission to issue a promissory note in the sum of \$8,000.00 and to mortgage his hydroelectric and irrigation systems in Lake county as security for said note; and a public hearing having been held upon this application; and the Commission being of the opinion that the same should be granted; and that the purposes to which the proceeds derived from said note are to be applied are not, in whole or in part, reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED: That James A. Gunn, Jr., be and he hereby is authorized to issue a promissory note in the sum of \$8,000.00 upon the following conditions and not otherwise, to-wit:-

(1) Said note shall be issued so as to net applicant the face value thereof.

(2) Said note shall be issued at a rate of interest not to exceed 7% and for a period not to exceed five years.

(3) The money derived from the issuance of said note shall be used for the following purposes only:-

(a) Payment of principal and interest which will be due on a note of the face value of \$500.00 in favor of Cloverdale Light and Power Company carrying a rate of interest of 6% per annum, due June 14, 1914.

(b) The promissory note herein authorized to be issued shall include a sum of \$5,000.00 which has already been advanced to applicant by F. G. Gunn and which has been expended by applicant in the construction of the hydroelectric system in Lake county.

(c) The remaining \$2,500.00 shall be used by appli-

cant to complete his pumping plant and irrigation system in the neighborhood of Zelseyville, California, and in making minor extensions in the transmission lines of his hydroelectric system in Lake county, California.

(4) The authority herein granted applicant to issue promissory note shall become effective only after applicant shall have paid the fee prescribed in Section 57 of the Public Utilities Act.

(5) James A. Gunn, Jr. shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds derived from the note herein authorized to be issued, and on or before the 25th day of each month he shall make verified reports to the Commission stating the manner in which the proceeds derived from said note have been expended, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

IT IS FURTHER ORDERED: That James A. Gunn, Jr. be and he hereby is granted authority to mortgage to F. G. Gunn, to secure an indebtedness of \$8,000.00, represented by the promissory note herein authorized to be issued, his entire hydroelectric and irrigation systems in Lake county, California, said mortgage to be executed substantially in accordance with the form of mortgage attached to the application in this proceeding and marked Exhibit "A".

The authority herein granted applicant to issue a promissory note and to mortgage his hydroelectric and irrigation systems shall be effective only if exercised on or before June 30, 1914.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th

day of February, 1914.

Railroad Commission State of California

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MAR 16 1914
By *[Signature]*
Assistant Secretary.

[Signature]

[Signature]

[Signature]

Commissioners.