

Decision No. 34985

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CENTRAL MENDOCINO COUNTY POWER COMPANY  
for authority to issue \$100,000.00  
principal amount of its bonds.

} Application No. 22706

BY THE COMMISSION:

O P I N I O N

Central Mendocino County Power Company asks permission to issue and sell at their face value \$100,000.00 of first mortgage, Series A, 5% sinking fund bonds, due July 1, 1959, for the purpose of paying indebtedness and to execute a mortgage of chattels and trust indentures to secure the payment of said bonds and bonds that may be subsequently issued.

Applicant is engaged in the business of collecting and distributing water and furnishing and selling electricity for light, heat and power in, and in the vicinity of, Willits, Mendocino County, California.

As of December 31, 1938, the company reports its assets and liabilities as follows:-

A S S E T S

Electric plant	\$187,243.57
Water plant	272,594.11
Sinking funds	66,674.97
Cash	2,243.36
Special deposits	15.00
Accounts receivable	8,066.14
Materials and supplies	771.18
Prepayments	244.42
Unamortized debt discount and expense	7,571.99
Capital stock discount	21,202.70

Total assets..... \$566,627.44

LIABILITIES

Common stock	\$125,000.00
Preferred stock	75,000.00
Bonds	126,000.00
Miscellaneous long term debt	2,000.00
Notes payable	112,925.00
Accounts payable	6,968.94
Customers' deposits	1,128.50
Taxes accrued	334.33
Interest accrued	772.50
Other current and accrued liabilities	150.00
Customers' advances for construction	1,002.87
Reserve for depreciation of electric and water plants	105,126.59
Reserve for uncollectible accounts	268.49
Earned surplus	9,950.22
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Total liabilities....	<u>\$566,627.44</u>

For the year 1938, the company's operating revenues are reported at \$69,577.12, of which revenues \$51,892.85 were obtained from the sale of electricity and \$17,684.27 from the sale of water. Its net operating revenues for the year 1938 are reported at \$14,515.44. Adding to the \$14,515.44 its nonoperating revenues of \$1,959.38 results in a gross corporate income of \$16,474.82. This represents the amount which the company in 1938 had available for the payment of interest, dividends and surplus.

The Commission by Decision No. 11542 dated January 23, 1923, in Application No. 7999, as amended, and by Decision No. 14003, dated August 30, 1924, in Application No. 10387 authorized the company to issue \$150,000.00 of 6-1/2 per cent. first mortgage bonds due June 1, 1952. All of the bonds were issued by the company. Since then, \$24,000.00 of said bonds were acquired by the company and cancelled, \$66,600.00 of the bonds were acquired by the company and are now held alive in the sinking fund, and \$59,400.00 of the bonds remain outstanding in the hands of the public. Applicant intends to

exercise the rights reserved to it under the trust indenture securing the payment of the bonds, and pay the same on July 1, 1939. This will entail an expenditure of \$61,350.00, the sum representing the principal of the bonds and a premium of 4%.

Under the authority granted by Decision No. 17039, dated July 2, 1926, in Application No. 12897, applicant issued \$30,000.00 of 6% notes. Of these notes, \$1,000.00 are now outstanding. Under the authority granted by Decision No. 30165, dated September 27, 1937, in Application No. 21481, applicant issued a \$104,000.00 6% demand note. No payments have been made on this note.

As stated, applicant seeks permission to issue and sell at their face value \$100,000.00 of 5% bonds and use the proceeds for the following purposes:-

To redeem outstanding 6-1/2% bonds	\$ 61,350.00
To pay second mortgage notes	1,000.00
To pay part of 6% demand note	35,000.00
To pay indebtedness	<u>2,650.00</u>
Total.....	<u>\$100,000.00</u>

The bonds will be sold to the Occidental Life Insurance Company. They are to be dated April 15, 1939 and mature July 1, 1959. All, or any part, of the \$100,000.00 of bonds are subject to redemption and may be redeemed at the option of the company on any interest payment date prior to their maturity upon the payment of the principal amount thereof, the accrued interest to the date fixed for redemption, plus a premium of 4%, if the date fixed for redemption is on or before July 1, 1943, or, if the date fixed for redemption is after July 1, 1943, plus a premium of 4% less 1/4 of 1% for each year or fraction thereof elapsed subsequent to July 1, 1943, and prior to the date fixed for redemption.

The company has filed with the Commission a copy of its proposed mortgage of chattels and trust indenture and a copy of its supplemental mortgage of chattels and trust indenture. It proposes to execute an "open end" type of mortgage of chattels and trust indenture. The initial issue of bonds, known as "Series A" is limited to \$100,000. So long as any of the "Series A" bonds are outstanding the company agrees to expend annually for renewals, betterments, additions, extensions, repairs, improvements and rehabilitation of the mortgaged property, an amount equal to 20% of its gross revenues from the mortgaged property for such calendar year. If in any calendar year its expenditures for said purposes are less than an amount equal to 20% of its said gross revenue, the company must deposit with the trustee in cash an amount equal to the deficiency. The money so deposited may be withdrawn for the aforesaid purposes, but such withdrawal does not impair or diminish the obligation of the company to expend in the calendar year in which such deposit is made, and in each calendar year thereafter the full amount equal to 20% of gross revenue for such calendar year, and each calendar year thereafter.

Further, the company agrees that commencing January 1, 1945 it will pay to the trustee semi-annually on January 1st and on July 1st in each year so long as any of the Series A bonds remain outstanding, \$4,800.00 to be applied first, on account of interest on all Series A bonds at the time outstanding; and second, the balance on account of the sinking fund, except that the company, in lieu of making any semi-annual payment applicable to the sinking fund, shall be entitled to a credit in respect of sums actually expended by the company for additions, betterments, extensions, renewals, repairs and improvements of the mortgaged property from funds of the company other than the 20% mentioned, provided that:

"(a) under no circumstances shall the amount which the company is entitled to credit in lieu of cash on account of payments applicable to sinking fund exceed an amount in excess of 60% of the cost of such additions, betterments, extensions, renewals, repairs and improvements of the mortgaged property; and

"(b) at no time shall the aggregate amount of all sums credited against payments applicable to sinking fund exceed one half of the moneys which otherwise would be required to be paid in cash on account of sinking fund payments for the period commencing July 1, 1945 and ending on the date of such credit. Subject to the conditions aforesaid, the amounts which the Company shall be entitled to credit against payments which may be required to be made on account of sinking fund may be accumulated and credit therefor taken from time to time in lieu of cash, as the company may elect."

The Commission will in a supplemental order further consider applicant's request to execute a mortgage of chattels and trust indenture to secure the payment of its bonds.

Applicant also desires authority, to be exercised only if necessary, to execute its promissory note in the principal sum of not to exceed \$70,000.00 to Occidental Life Insurance Company, said note to be dated April 15, 1939, to be due July 15, 1939, with interest at 5% and to be secured by a mortgage or deed of trust in the usual bank form. Said note will be issued only in the event that applicant is not in a position to issue its bonds on or before June 1, 1939, the redemption date of its bonds, now outstanding. The note, if issued, will be refunded by the issue of said bonds.

#### ORDER

The Commission having considered the requests of Central Mendocino County Power Company for permission to issue bonds, notes, and execute a mortgage of chattels and trust indenture, and it being of the opinion that this is not a matter on which a hearing is necessary and that applicant should be permitted, subject to the provisions of this order, to issue \$100,000.00 of first mortgage 5% Series A bonds

due July 1, 1959, and a note for not more than \$70,000.00 for the purpose of paying indebtedness; that the money, property or labor to be procured or paid for through the issue of such bonds and note is reasonably required for purposes herein mentioned, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that Central Mendocino County Power Company be, and it is hereby authorized, to issue and sell, at not less than their face value and accrued interest, after the effective date hereof and prior to August 1, 1939, \$100,000.00 first mortgage 5% "Series A" sinking fund bonds due July 1, 1959, and use the proceeds for the purpose of paying the indebtedness referred to in the foregoing opinion, provided that said authority will become effective when the Commission has authorized Central Mendocino County Power Company to execute a mortgage of chattels and trust indenture to secure the payment of said bonds.

IT IS HEREBY FURTHER ORDERED that, if said authority to issue said \$100,000.00 of bonds, does not become effective on or before June 1, 1939, Central Mendocino County Power Company may issue to Occidental Life Insurance Company a note for the sum of not to exceed \$70,000.00, due July 15, 1939, with interest at the rate of 5% per annum, and execute a mortgage or deed of trust in the usual bank form to secure the payment of said note. The proceeds realized through the issue of said note shall be used to redeem on June 1, 1939, applicant's outstanding bonds.

IT IS HEREBY FURTHER ORDERED that Central Mendocino County Power Company shall file with the Commission General Order No. 24-A

reports, which order insofar as applicable, is made a part of this order.

DATED at Los Angeles, California, this 7<sup>th</sup> day of May, 1939.

Ray Swabey  
Paul Deery  
Ray H. Curry  
J. H. Hall  
Justin Z. Coenen  
COMMISSIONERS.