

Decision No. 23477

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CENTRAL MENDOCINO COUNTY POWER COMPANY
and
CALIFORNIA PUBLIC SERVICE COMPANY for
an order:

(a) authorizing Central Mendocino
County Power Company to transfer and
convey its utility assets and properties
to California Public Service Company;

(b) expressly authorizing California
Public Service Company to acquire from
Central Mendocino County Power Company
the utility assets and properties of
Central Mendocino County Power Company;

(c) authorizing California Public
Service Company to issue an additional
\$140,000 principal amount of its First
Mortgage Bonds, Series B ~~4 1/2%~~^{4 3/4%}, due
November 1, 1964; and

(d) authorizing California Public
Service Company to issue \$95,000 aggre-
gate par value of its capital stock
(3800 shares at the par value of \$25.
each.)

Application No. 23477

ORIGINAL

McClymonds, Wells & Wilson, by Elwood Murphey,
for Central Mendocino County Power Company

Orrick, Dahlquist, Neff & Herrington,
by George Herrington and Nathan D. Rowley,
for California Public Service Company.

BY THE COMMISSION:

O P I N I O N

This is an application for an order of the Railroad Commission
authorizing Central Mendocino County Power Company to transfer and
convey its public utility assets and properties to California Public
Service Company and relieving it of the duties and functions of a
public utility corporation, and authorizing California Public Service
Company to acquire the assets and properties, to execute a supplemental
indenture and to issue and sell \$140,000 of its first mortgage bonds,
Series B ~~4 1/2%~~^{4 3/4%}, due November 1, 1964 and \$95,000 of its common stock.

Central Mendocino County Power Company, which was organized in 1922, has been engaged since 1923 in the operation of a public utility electric and water system in and about Willits, Mendocino County. It has authorized and outstanding \$125,000 of common stock and \$75,000 of seven per cent. preferred stock, of which all of the common and \$69,987 of the preferred, are reported held by Mrs. Amy Requa Long. Its balance sheet as of April 1, 1940 shows fixed capital in service at \$464,926.38 and its reserves for depreciation at \$116,953.11.

California Public Service Company, organized in 1926, is engaged in the operation of public utility electric systems in and about Lakeview, Oregon, and in New Pine Creek, Alturas, Cedarville, Fort Bragg and Mendocino, California.

The company is controlled through stock ownership by Peoples Light and Power Company, which owns all of its presently outstanding stock of the total par value of \$412,000. Peoples Light and Power Company, it is reported, also controls West Coast Power Company and Western States Utilities Company, two corporations operating electric and water properties, in several of the western states. The three operating companies maintain general offices in Portland, Oregon, where their executive, accounting, engineering and sales activities are centralized.

The application now before the Commission shows that Central Mendocino County Power Company and California Public Service Company have entered into an agreement, dated as of April 15, 1940, whereby the former has agreed to sell to the latter, for the sum of \$235,000, all of its assets and properties, real and personal, tangible and intangible, excepting cash, cash items, accounts receivable and approximately 3,000 acres of nonutility land. The properties are to be transferred free and clear of all liens and encumbrances.

The electric properties to be thus conveyed include a 22,000 volt transmission line, erected on wooden poles, extending some thirteen miles to Willits from Potter Valley, where energy is purchased from the Pacific Gas and Electric Company, three substations, telephone lines, some forty miles of distribution lines and transformers, meters and street lighting facilities.

The water properties include two small diversion dams, a concrete storage dam, 120 feet long and 52½ feet high, erected across James Creek and creating a storage capacity of 267 million gallons, a filter plant, some seven miles of steel transmission lines and distribution lines, services, meters and hydrants.

New
At the close of 19³9 Central Mendocino County Power Company reported 802 electric consumers and 569 water consumers. For the last three calendar years it has reported its operating revenues and expenses as follows:-

<u>Item</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>
<u>Electric</u>			
Operating revenues	\$52,776	\$52,357	\$52,981
Operating revenue deductions:			
Operating expenses	\$26,501	\$26,893	\$25,806
Depreciation	6,388	6,040	6,292
Taxes	5,070	4,495	5,326
Total	\$37,959	\$37,428	\$37,434
Net operating revenues:			
Electric	\$14,817	\$14,929	\$15,547
<u>Water</u>			
Operating revenues	\$15,863	\$18,216	\$19,738
Operating revenue deductions:			
Operating expenses	\$ 8,374	\$ 8,978	\$10,922
Depreciation	7,667	5,306	5,722
Taxes	2,863	3,308	3,392
Total	\$18,904	\$17,952	\$20,036
Net operating revenue-water	(3,041)	624	(298)
Total net operating revenues	\$11,776	\$15,553	\$15,249

By Decision No. 30913, dated May 31, 1938, in Application No. 21492, the Commission established certain rates to be charged by Central Mendocino County Power Company, and in doing so, referred to average rate bases for 1937, developed by the Valuation Division of the Commission's Public Utilities Department, of \$153,900 for the electric system and of \$241,200 for the water system, a total, undepreciated, of \$395,100. During 1938, 1939 and the first three months of 1940 the company's fixed capital accounts were increased by approximately \$22,400. The company's reserves for depreciation, as of April 1, 1940, aggregated \$116,953.11.

In the rate proceeding referred to in the preceding paragraph, no reference was made to the amount of estimated accrued depreciation. However, the decision indicated the need, at that time, of considerable rehabilitation and improvement of the properties and the order of the Commission directed the company to install facilities at the dam to treat and filter the water and to undertake a rebuilding program on its electric lines as follows:

"To reduce system outages from line failures a rebuilding program over a six-year period should be undertaken. Within this time approximately 75% of the transmission line poles and crossarms should be replaced; span lengths in places reduced, and more adequate guying used. While less work is necessary on the distributing system, a similar program should be instituted wherein at least 10% of the poles and fixtures will be replaced each year. Where conductor sizes are inadequate (both transmission and distribution) and the splicing excessive, these should be replaced during the same period. In order to reduce losses and improve the efficiency of distribution, line transformers of small size and old in service should gradually be replaced.

To give immediate relief from excessive voltage variations an automatic induction voltage regulator should be installed during the first year at the receiving station at Willits".

Since the date of the former decision, the company reports that it has installed the water filter and the voltage regulator and has proceeded to some extent with the replacement of its poles. We

expect California Public Service Company to complete the rehabilitation program. The record indicates that it will make all necessary improvements and comply with the orders of the Commission.

The evidence submitted in this proceeding clearly indicates that the purchaser can obtain funds to improve and extend the properties more readily than the present owner, and that the transfer as proposed is in the public interest.

To obtain the money necessary to purchase the properties, California Public Service Company proposes to issue and sell its securities as follows:-

<p><i>NEM</i></p> <p>Bonds- First Mortgage, Series B, ^{4 1/2%}5%, due November 1, 1964, to Provident Mutual Life Insurance Company at par</p>	<p>\$140,000</p>
<p>Stock- Common, to Peoples Light and Power Company at par</p>	<p><u>95,000</u></p>
<p>Total</p>	<p><u>\$235,000</u></p>

It intends, in order to subject the purchased assets and properties to the lien of its indentures of mortgage and for other purposes, to execute a Second Supplemental Mortgage of Chattels and Trust Indenture, dated as of July 1, 1940. A copy of the proposed instrument has been filed as Exhibit "G". It appears to be in satisfactory form.

The testimony shows that the records of Central Mendocino County Power Company will be transferred to California Public Service Company. E. A. Lehman, chief accountant and assistant treasurer for California Public Service Company, testified that such records will be preserved in compliance with the Commission's regulation. He further testified that the company will maintain its records in such a manner that it can report the cost of additions and betterments to the electric and water properties in and about Willits, and the operating revenues and operating expenses appertaining to such properties.

O R D E R

Central Mendocino County Power Company and California Public Service Company having applied to the Railroad Commission for an order authorizing the transfer of properties, the issue of stock and bonds and the execution of an indenture, a public hearing having been held before Examiner Fankhauser and the Commission having received no protest to the granting of the application and being of the opinion that this application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock and bonds is reasonably required for the purpose specified herein, and that the expenditure for said purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that-

1. Central Mendocino County Power Company, after the effective date hereof and on or before December 31, 1940, may transfer and convey to California Public Service Company its public utility assets and properties in conformity with the provisions of the agreement between said companies, dated April 15, 1940, and filed in this proceeding as Exhibit "D".
2. California Public Service Company, after the effective date hereof and on or before December 31, 1940, may acquire the public utility assets and properties of Central Mendocino County Power Company in conformity with the provisions of said agreement dated April 15, 1940.
3. Central Mendocino County Power Company, upon the transfer and conveyance of its public utility assets and properties to California Public Service Company, may cease furnishing and supplying service as a public utility, and it hereby is relieved, from and after the date of such transfer and conveyance, of the duties and functions of a public utility corporation in the territory in which it now or may be furnishing public utility service by means of the assets and properties so to

be transferred and conveyed to California Public Service Company.

4. California Public Service Company after the effective date hereof and on or before December 31, 1940, may issue and sell \$140,000 of its first mortgage bonds, Series B ⁴⁴⁴³~~4443~~, due November 1, 1964, at not less than the face value, plus accrued interest, and \$95,000 of its common capital stock, at not less than par, for the purpose of financing the cost of the assets and properties it is herein authorized to acquire.

5. California Public Service Company, after the effective date hereof and on or before December 31, 1940, may execute a Second Supplemental Mortgage of Chattels and Trust Indenture, dated as of July 1, 1940, in, or substantially in, the same form as that filed in this proceeding as Exhibit "G", provided that the authority here given is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said instrument as to such other legal requirements to which it may be subject.

6. 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 One Hundred and Forty (\$140.00) Dollars.

7. California Public Service Company, within thirty (30) days after it acquires the assets and properties and issues its stock and bonds under the authority herein granted, shall file with the Commission the following documents:-

- a. Two certified copies of the Second Supplemental Mortgage of Chattels and Trust Indenture, dated as of July 1, 1940, as executed.
- b. A report, as required by the Railroad Commission's General Order No. 24-A, of the issue of the stock and bonds and the disposition of the proceeds as herein authorized.

c. A statement in which it agrees to assume and pay, when and as they may become due and payable, all unpaid consumers' deposits on the date of transfer of the assets and properties as herein authorized.

8. Central Mendocino County Power Company, within thirty(30) days after it transfers and conveys the assets and properties as herein authorized, shall file with the Commission the following documents:-

- a. A certified copy of the deed, or deeds, conveying the assets and properties to California Public Service Company under the authority herein granted.
- b. A statement showing the exact date upon which it relinquished control and possession of the assets and properties herein authorized to be transferred.
- c. A report, prepared on the annual report forms prescribed by the Commission, showing its operations during 1940 from January 1 down to the date upon which it transferred and conveyed its properties to California Public Service Company.

DATED at San Francisco, California, this 18th day of June, 1940.

Ray L. Rice
Frank DeWitt
Robert W. Hubert
H. B. Hall

Commissioners.

