

ORIGINAL

Decision No. 34212

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

NORTHERN LIGHT & POWER CO.

Application No. 24092

for an order authorizing it to
sell and issue its Preferred Stock

Ellis and Steindorf,
by Stanley A. Steindorf, for applicant.

BY THE COMMISSION:

O P I N I O N

This is an application by Northern Light & Power Co., a corporation, for an order of the Railroad Commission authorizing it to issue certain shares of its preferred and common stocks.

In the application as originally filed, the company asked permission to issue and sell 1,840 shares of its preferred stock, of the par value of \$25 a share, at and for the price of \$25 a share, and to use the proceeds to pay selling expenses, to reimburse its treasury for plant additions of \$9,984.65, and to finance the cost of improvements estimated at \$36,900, including therein, the sum of \$19,440 for proposed line extensions. However, at the public hearing held on this

matter before Examiner Fankhauser, applicant's counsel reported that the company had decided not to proceed with the construction of these line extensions and, accordingly, withdrew its request to issue stock for those purposes.

Northern Light & Power Co. is engaged in supplying electric service in Benbow and Garberville and along the Redwood Highway from a point about one and one-half miles south of Benbow to communities, known as Redway, located about three miles north of Garberville, and Redwood Creek. It commenced its electric operations on November 1, 1938, upon the acquisition of properties formerly belonging to Benbow Power Company, and according to reports filed with the Commission since that date, has had revenues and expenses as follows:

Year	Operating Revenues	Operating Deductions	Net Revenues	Income Charges	Prof. Dividends	Net Income
1938*	\$ 3,685.66	\$ 3,200.24	\$ 485.42	\$ 52.32	\$ -	\$ 433.10
1939	23,460.67	18,669.48	4,791.19	238.36	-	4,552.83
1940	24,063.09	19,779.06	4,284.03	19.72	1,755	2,509.31
1941**	3,853.53	3,104.64	748.89	18.81	-	730.08
Total	<u>\$55,062.95</u>	<u>\$44,753.42</u>	<u>\$10,309.53</u>	<u>\$329.21</u>	<u>\$1,755</u>	<u>\$8,225.32</u>

*November and December, 1938. **January and February, 1941.

The operating deductions in the tabulation include \$330.24 for depreciation during the two months of 1938, \$2,016.75 during 1939, \$2,174.05 during 1940 and \$400 during the first two months of 1941, a total of \$4,921.04.

As of February 28, 1941, the company reports its

assets and liabilities as follows:

ASSETS

Fixed assets		\$166,793.21
Contract of sale - Benbow Water Co.		1,705.94
Current assets:		
Cash	\$ 546.55	
Notes and accounts receivable	8,039.74	
Materials and supplies	1,227.83	
Prepayments	1,186.37	
Other	<u>129.81</u>	<u>11,130.30</u>
Total .		<u>\$179,629.45</u>

LIABILITIES

Common stock		\$ 39,000.00
Preferred stock		39,000.00
Current liabilities:		
Notes and accounts payable	\$6,459.54	
Accrued liabilities	1,418.85	
Customers' deposits	47.50	
Other	<u>177.32</u>	<u>8,103.21</u>
Reserve for depreciation		20,441.77
Reserve for uncollectible accounts		1,000.00
Capital surplus		63,859.15
Earned surplus		<u>8,225.32</u>
Total		<u>\$179,629.45</u>

The company's electric properties include, among other items, an hydraulic generating plant, located near Benbow, with an installed capacity of 250 KW., two Diesel engines, located at Benbow with a total installed capacity of 140 KW., and a 2400-volt transmission line from the hydro plant to Garberville. It is reported that the existing generating and transmission system is inadequate, that there has been an insufficiency of power and a delivery to consumers at irregular voltages, along with substantial line losses. Accordingly, the company has caused a survey to be made of its properties and operations and has filed in this proceeding as Exhibit "B" a report, by C. Albert Kulmann, a registered engineer. He recommends in his report the following improvements:

Construction of a new 11,000-volt line from the present hydro plant to Garberville, together with the necessary additional equipment - estimated cost	\$ 8,460.00
Reconstruction of hydroelectric plant	1,750.00
Overhauling and relocating of the two Diesel engines	<u>7,250.00</u>
Total	<u>\$17,460.00</u>

It is alleged that the construction of the proposed 11,000-volt line, in place of the present 2,400-volt line, would reduce the line losses and would tend to stabilize the voltage at Garberville. The proposed reconstruction of the hydroelectric plant is designed to increase the kilowatt output under all stream flow conditions and thereby to effect savings through the reduction in the use of the Diesel plants. The work to be performed on the Diesel engines is said to be necessary and desirable to place them in an efficient operating condition.

M. W. Edwards, a Commission engineer, in Exhibit 1 recommends that the company expend \$24,000 for the following purposes:

20 new meters installed and for stock	\$ 300.00
Original testing, all meters	700.00
New hydro runner	2,000.00
Move and increase capacity of Diesel plant	20,000.00
Miscellaneous meters and supplies	<u>1,000.00</u>
Total	<u>\$24,000.00</u>

M. W. Edwards is of the opinion that the location of the Diesel plant at Garberville will obviate the necessity of reconstructing the transmission line between Benbow and Garberville. The company's engineer on the other hand feels that before it commits itself to the construction of a new Diesel plant

at a cost of \$20,000, it should make a survey of other hydro-electric projects.

The testimony given at the hearing amply supports the company's allegations that substantial improvements and betterments should be made to applicant's properties to place them in an efficient operating condition. However, the testimony and the exhibits indicate that several plans are under consideration to accomplish this end and that the company is not in a position to advise the Commission definitely at this time as to the exact course it will follow in this matter.

In addition to the proposed expenditures the company reports that since it acquired the system it operates, it has installed additions and betterments, up to February 28, 1941, as shown in Exhibit "C," in the aggregate net amount of \$9,984.65, which, it alleges, have been financed out of its income.

An analysis of the company's financial reports shows that between November 1, 1938, and February 28, 1941, it has accumulated surplus earnings of \$8,225.32 and has increased its reserve for depreciation by the sum of \$4,703.77, the two items aggregating \$12,929.09 which, it so appears, has been used to finance the cost of the plant additions, to pay outstanding liabilities assumed upon its acquisition of its properties and to increase its current assets. As stated, the total surplus unappropriated as of February 28, 1941, amounted to \$8,225.32.

The order herein will authorize the company to issue and sell at par 1,140 shares of its preferred stock of the aggregate par value of \$28,500. Of the proceeds realized from

the sale of such stock not exceeding 10% may be expended to pay commissions and expenses incident to the sale of said stock. The net proceeds from the sale of \$8,225 par value of stock may be used by applicant to reimburse its treasury because of surplus earnings invested in its properties. The net proceeds from the sale of \$20,275 par value of stock shall be deposited in a special bank account and expended only for such purposes as the Railroad Commission will authorize by a supplemental order or orders. The company should as soon as it has completed its further study of the improvement of its properties and service file with the Commission a supplemental application for permission to expend all or part of the net proceeds realized from the sale of said \$20,275 of stock.

The holders of the preferred stock are entitled to, when the same are declared, annual dividends at the rate of 6%, cumulative from July 1, 1940. These must be paid before any dividends may be paid on the common stock. The shares of preferred stock are redeemable at the option of the company at \$27.50 a share and are convertible into common shares at the option of the holders at any time prior to the redemption date, on a share for share basis. The order herein, in addition, will authorize the company to issue 1,140 shares of common stock in exchange for the preferred shares herein authorized.

ORDER

Northern Light & Power Co., having applied to the Railroad Commission for permission to issue shares of stock, a public hearing having been held, and the Commission being of the

opinion that the issue of stock is reasonably required for the purposes specified herein, to the extent indicated herein, and that the expenditures herein authorized are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Northern Light & Power Co., after the date hereof and on or before December 31, 1941, may issue and sell 1,140 shares of preferred stock at and for the price of \$25 a share cash, and may use not exceeding 10% of the par value of stock sold to pay commissions and expenses incident to the sale thereof and may use the net proceeds from the sale of \$8,225 of said stock to reimburse its treasury because of surplus earnings invested in its assets.

2. Northern Light & Power Co. shall deposit the net remaining proceeds received from the issue and sale of \$20,275 of said stock herein authorized in a special bank account and expend the same only for such purposes as the Commission will authorize in a supplemental order or orders.

3. Northern Light & Power Co. may issue not exceeding 1,140 shares of its common stock in exchange, upon a share for share basis, for the preferred stock, if and when the holders of said preferred stock exercise their right to convert their preferred shares into common stock.

4. Northern Light & Power Co. shall keep such record of the issue, sale and delivery of the stock 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 Commission's General Order No. 24-A, which

order insofar as applicable is made a part of this order.
Dated at San Francisco, California, this 20th day
of May, 1941.

W. B. Smith
Ray A. Kiley
Justin J. Cacciani
Francis R. Havens
Richard H. Chase
Commissioners.