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Decision No. \_\_\_\_\_.

ORIGINAL

Decision No. 2382-

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA.

In the matter of the application  
of CORONA GAS AND ELECTRIC LIGHT  
COMPANY for an order authorizing  
it to issue a first mortgage cov-  
ering its properties in the State  
of California, and also for an  
order authorizing the issue, use  
and sale of first mortgage bonds.

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Application  
No. 1988.

Isaac B. Potter and Olin Wellborn, Jr.,  
for Applicant.

BY THE COMMISSION.

O P I N I O N

This is an application of CORONA GAS AND  
ELECTRIC LIGHT COMPANY, operating in the City of  
Corona, Riverside County, for authority to execute  
a first mortgage upon its properties and to issue  
bonds thereunder.

At the present time applicant desires to  
issue a sufficient amount of bonds at ninety per  
cent. of their face value to net the company the sum

of \$52,610.89 for the following purposes:

1. To reimburse the company's treasury for moneys expended from income for additions and betterments .....	\$33,339.05
2. To liquidate indebtedness to Nevada-California Power Company .....	18,849.66
3. To liquidate indebtedness to The Southern Sierras Power Company .....	<u>422.18</u>
Total .....	\$52,610.89

Corona Gas and Electric Light Company was incorporated on July 10, 1903, under the laws of the State of California. Its Articles of Incorporation permit the Company to engage in the manufacture of electricity, gas and ice.

In 1911 the stock of Corona Gas and Electric Light Company was purchased by The Southern Sierras Power Company and subsequently its gas plant and system was sold to Southern California Gas Company and its ice plant leased to National Ice Company at an annual rental of \$1,000.

Applicant's total authorized capital stock issue consists of 500 shares of stock of the par value of \$100. per share. All of this stock is outstanding and, with the exception of five shares necessary for qualification of directors, is held by L. C. Phipps, Jr., Trustee, for the sole use and benefit of The Southern Sierras Power Company. The Company has no preferred stock.

During the past five years Corona Gas and Electric Light Company has paid dividends as follows:

<u>Year</u>	<u>Rate</u>	<u>Amount</u>	<u>Capital Stock on which dividends were paid</u>
1910	-*	\$3,300.	----- *
1911	-*	4,900.	----- *
1912	-	-----	-----
1913	2%	1,000.	50,000.
1914	4%	2,000.	50,000

\*Not reported.

Applicant at one time had an authorized issue of \$40,000. of first mortgage five per cent. twenty year bonds secured by deed of trust to Los Angeles Trust Company. The last of these bonds were retired in 1911 and the bonded indebtedness cancelled.

Applicant's property was also included within the lien of the first mortgage of The Southern Sierras Power Company. This mortgage has since been superseded by a first and refunding mortgage and at the present time the properties of Corona Gas and Electric Light Company are unencumbered. Applicant reports that it has no notes outstanding and that its only indebtedness consists of the current liabilities shown in its Balance Sheet for October 31, 1915, given below:-

#### ASSETS

##### Property

Property and Equipment Jan. 1, 1913,	\$75,814.26
Additions since December 31, 1912,	21,012.58

<u>Cash on Hand and in Banks</u>	1,371.61
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##### Accounts Receivable

Light and Power Customers	2,000.13
Merchandise Customers	252.20
Miscellaneous	200.00

<u>Material and Supplies on Hand</u>	<u>2,893.01</u>
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Total Assets	\$103,543.79
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LIABILITIES

<u>Capital Stock</u>	\$50,000.00
<u>Current Liabilities</u>	
Vouchers Payable	928.17
Meter Deposits	95.25
Taxes Accrued	698.89
<u>To Associated Companies on Open Ledger Account</u>	
The Nevada-California Power Company	18,849.66
The Southern Sierras Power Company	422.18
<u>Surplus</u>	
Surplus January 1, 1914	19,651.35
Surplus this year to date	3,727.22
Profit and Loss Adj. this year (cr)	<u>.50</u>
Total net Surplus	<u>23,379.07</u>
<u>Reserves</u>	
Reserves for Depreciation	8,814.03
Reserve for Personal Injuries	<u>356.54</u>
Total Liabilities	<u>\$103,543.79</u>

Following is a comparative statement showing applicant's income accounts for the years ending December 31, 1912; 1913; 1914 and 1915:

	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
Operating Revenues	\$23,601.33	\$23,136.76	\$24,052.69	\$24,842.00
Operating Expenses	<u>24,960.23</u>	<u>21,653.03</u>	<u>20,007.52</u>	<u>19,681.21</u>
Net Operative Revenue				
or Loss	1,358.90*	1,483.73	4,045.17	5,160.79
Non-operative Revenues	<u>1,467.51</u>	<u>1,000.20</u>	<u>1,006.47</u>	<u>1,078.25</u>
Gross Corporate Income	108.61	2,483.93	5,051.64	6,239.04
Miscellaneous Deductions	-----	-----	<u>637.16</u>	<u>1,290.47</u>
Balance for Year to Profit and Loss	108.61	2,483.93	4,414.48	4,948.57

\*Loss.

Applicant's surplus account as shown by its Annual Report to the Commission as of December 31, 1915, is as follows:

Balance December 31, 1914,	\$19,651.35
Profit for Year from Income Account	4,948.57
Miscellaneous Additions to Surplus	<u>.50</u>
Balance December 31, 1915,	\$24,600.42

Corona Gas and Electric Light Company has heretofore purchased its energy from Pacific Light and Power Corporation at a rate of 1.6 cents per kilowatt hour. This contract expired on March 31, 1916, and applicant now obtains its energy from The Southern Sierras Power Company at a rate of 1.2 cents per kilowatt hour. Corona Gas and Electric Light Company states that the purchase of power at the lower rate will make possible a saving of approximately \$1,800. per annum.

The Southern Sierras Power Company also distributes electric energy at retail within the City of Corona. This situation arose during the time when Corona Gas and Electric Light Company was purchasing its energy under contract from Pacific Light and Power Corporation. Although this contract has now expired, witness for applicant stated that The Southern Sierras Power Company would continue to distribute electricity in the City of Corona, it being more convenient for op-

erating reasons to have certain consumers served by The Southern Sierras Power Company rather than by Corona Gas and Electric Light Company.

Applicant's consumers have increased during the past three years as follows:

December 31, 1913 .....	664
December 31, 1914 .....	748
December 31, 1915 .....	818

The kilowatt hours sold during the past three years were as follows:

December 31, 1913 .....	371,115
December 31, 1914 .....	328,436
December 31, 1915 .....	362,665

The reduction in amount of power sold between December 31, 1913, and December 31, 1914, is accounted for by The Southern Sierras Power Company taking over a portion of the business in the City of Corona.

Applicant is operating under a franchise granted to M. W. Findley and George Brown by the City of Corona. This franchise is dated September 4, 1903, and is for a period of thirty years. It was acquired by Corona Gas and Electric Light Company on October 29, 1903. Applicant states that it has no record of the cost of acquiring this franchise but that it is carried on its books at \$1,000.

As heretofore stated, applicant requests authority to execute a first mortgage upon its properties

and to issue bonds thereunder. Applicant has filed for the Commission's approval a copy of its proposed deed of trust to Los Angeles Trust and Savings Bank of Los Angeles and The International Trust Company of Denver, Trustees. In brief the terms of this Indenture are as follows:

This mortgage is of the so-called "open end" type in that it does not specify the amount of bonds which may be issued thereunder. Bonds are to be issued in series, the first bonds to be known as Series "A" bonds or First Mortgage Six Per Cent. Gold Bonds. They are to be dated July 1, 1915, to mature July 1, 1965. As security for the bonds, the company pledges all of the property which it now owns or may hereafter acquire. The coupon bonds are to be in such denominations as the Board of Directors may from time to time determine. Registered bonds without coupons may be issued in denominations of \$1,000; \$5,000; \$10,000; or such multiples thereof as the Board of Directors of the Company may authorize. The amount of bonds authorized under Series "A" is limited to \$1,000,000. Series "A" bonds are to bear interest at the rate of six per cent. per annum, payable in January and July. Bonds of any subsequent series are to bear interest at not to exceed six per cent. per annum. A redemption fund is provided payable semi-annually in amount equal to three-fourths of one per cent. of the aggregate par value of all bonds outstanding in the year 1920 and each year thereafter until all the bonds are retired. Bonds are call-

able at 103 and accrued interest upon any semi-annual interest date after sixty days notice. The holders of thirty per cent. of the outstanding bonds may institute proceedings and a majority may direct proceedings for sale, foreclosure or appointment of a Receiver, or may waive default. No default may be waived when the principal of the bonds has become due at maturity. It is proposed that the bonds shall be guaranteed by The Southern Sierras Power Company both as to principal and interest. As no mention of such guarantee appears in the mortgage or on the face of the bonds we shall withhold final approval of the mortgage until such guarantee has been inserted in form satisfactory to the Commission.

A valuation of applicant's physical properties made by the Commission's engineers as of December 31, 1915, is as follows:

Reproduction Cost (historical) ...	\$75,581.08
Present Value .....	\$62,179.65

These figures do not include stores and supplies and cash and deposits amounting to approximately \$5,832. nor has any allowance been made for intangibles.

In support of its application, Corona Gas and Electric Light Company has submitted a report made by Halbert P. Gillette of New York showing reproduction cost as of December 31, 1914, of \$108,145. In this appraisal the company's total fixed capital is valued at \$69,184. During the year 1915, the company reported ad-



ditions to fixed capital amounting to \$4,097.53, which will increase applicant's estimate of the reproduction value of its physical properties to \$73,281.53 as compared with the value found by the Commission's engineers of \$75,581.08.

As hereinbefore set forth, applicant has requested authority to issue bonds in a sufficient amount to reimburse its treasury for moneys expended from income for additions and betterments during the three years and ten months ending November 1, 1915, amounting to \$33,339.05. In support of this portion of its application, the Company has submitted a detailed statement of such expenditures.

Applicant states that moneys received from the sale of bonds and used in reimbursing its treasury for capital expenditures will be held as working capital and applied to further capital expenditures. The order herein made will contain a provision requiring applicant to maintain a special fund in which such moneys shall be held.

Applicant has also asked for authority to issue bonds in a sufficient amount to refund \$19,271.84 of indebtedness, owing on open account to Nevada-California Power Company and The Southern Sierras Power Company, representing moneys advanced and used for capital purposes. This is a proper purpose for which bonds may be issued under the terms of the Public Utilities Act and it appears that applicant should be allowed to issue bonds for the purpose of refunding such indebtedness.

O R D E R

CORONA GAS AND ELECTRIC LIGHT COMPANY having applied to this Commission for authority to execute a mortgage upon its properties to Los Angeles Trust and Savings Bank and The International Trust Company of Denver, Trustees, and to issue first mortgage six per cent. fifty year bonds thereunder, as hereinbefore set forth;

And a public hearing having been held, and it appearing to the Commission that applicant's request is reasonable and should be granted and that the purposes for which it is proposed to issue said bonds are not reasonably chargeable in whole or in part to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Corona Gas and Electric Light Company is hereby authorized to execute a mortgage upon its properties as security for an issue of first mortgage six per cent. fifty year bonds, upon the following conditions, and not otherwise:

(a) Corona Gas and Electric Light Company shall first submit to this Commission for its approval a copy of its proposed mortgage or deed of trust and secure a supplemental order from this Commission approving the same.

2. Corona Gas and Electric Light Company is hereby authorized to issue \$58,500. face value of first

mortgage six per cent. fifty year bonds under said mortgage, or so much thereof as may be necessary for the purposes hereinafter stated, upon the following conditions and not otherwise:

(a) Corona Gas and Electric Light Company shall sell said bonds so as to net said company not less than ninety per cent. of the face value thereof, plus accrued interest.

(b) The proceeds derived from the sale of said bonds shall be used only for the following purposes:

(1) To reimburse applicant's treasury for moneys actually expended from income for additions, betterments and extensions within three years and ten months prior to the first day of November, 1915 .....	\$33,339.05
(2) To liquidate indebtedness owing to Nevada-California Power Company on open account in the sum of .....	\$18,849.66
(3) To liquidate indebtedness owing to The Southern Sierras Power Company on open account in the sum of .....	\$ 422.18
Total .....	\$52,610.89

3. The proceeds from the sale of bonds herein authorized to be issued for the purpose of reimbursing applicant's treasury for moneys expended from income for additions, betterments and extensions shall be held in a special fund by applicant and used only for working capital and to defray the cost of future additions, betterments and extensions properly chargeable to capital account.

4. Corona Gas and Electric Light Company shall keep separate, true and accurate accounts showing the

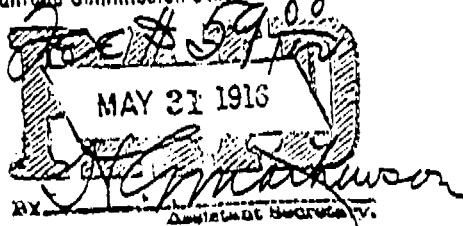
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receipt and application in detail of the proceeds of the sale of the <sup>bonds</sup> ~~notes~~ herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said <sup>bonds</sup> ~~notes~~ during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, 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.

5. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act, as amended.

6. The authority herein given to issue bonds and execute a mortgage shall apply only to such bonds as shall have been issued and such mortgage as shall have been executed on or before April 1, 1917.

Dated at San Francisco, California, this 27th day of May, 1916.

Railroad Commission State of California



H. Howland  
W. Gordon  
Edwin O. Edgerton  
Francis R. DeWitt

Commissioners