

ORIGINAL

Decision No. 3745

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

BEFORE THE RAILROAD COMMISSION OF THE STATE  
OF CALIFORNIA

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In the matter of the application )  
of Riverside County Gas and Power )  
Company to purchase and of Beaumont )  
Gas and Power Company and of The )  
Banning Gas and Lighting Company to )  
sell the properties of the last- )  
named companies; of Riverside County )  
Gas and Power Company to issue stocks )  
and bonds and for a certificate of )  
public convenience and necessity. )

APPLICATION No.  
2505

Lincoln G. Backus for applicant.

EDGERTON, Commissioner.

O P I N I O N

This application contemplates the acquisition by Riverside County Gas and Power Company, hereinafter called the Riverside Company, of the properties of Beaumont Gas and Power Company, hereinafter called the Beaumont Company, and The Banning Gas and Lighting Company, hereinafter called the Banning Company. It is further proposed that the Riverside Company shall issue certain stocks and bonds and that it shall exercise rights under certain franchises for the distribution and sale of gas and electricity.

The Riverside Company was organized on April 27, 1916, for the particular purpose of affording a medium for the merger of the gas systems at Beaumont and Banning, Riverside County.

The Beaumont Company was organized on October 25, 1909, and has been engaged ever since in the distribution and sale of gas in Beaumont. It has an authorized stock issue of \$25,000, all of which is outstanding. The property is encumbered by a first mortgage in the form of a trust deed securing a promissory note dated April 1, 1913 and payable April 1, 1918, in the sum of \$5,000.

The Banning Company was organized December 26, 1907, and has been engaged since then in the sale of gas in Banning. It has an authorized stock issue of \$25,000, of which \$14,050 is outstanding. Its property is unencumbered by mortgage.

It is proposed that the Beaumont Company and the Banning Company shall transfer their properties free from all indebtedness, with the exception of the \$5,000 mortgage of the Beaumont Company, to which reference has heretofore been made. The Beaumont Company agrees to place the sum of \$5,000 with the trustee to clear the mortgage when the note for which it is security falls due.

The Beaumont and the Banning companies are able to serve only a limited number of consumers and to date their ventures have not proved profitable. For the calendar year 1915, they reported as follows:

Beaumont Company:

Operating Revenue - - - - -	\$ 3,701.12
Operating Expenses - - - - -	<u>4,164.58</u>
Loss - - - - -	463.56
Interest - - - - -	<u>480.00</u>
Deficit for Year - - - - -	\$ <u>943.56</u>

The Banning Company:

Operating Revenue - - - - -	\$ 6,078.05
Operating Expenses - - - - -	<u>6,340.89</u>
Loss - - - - -	\$ <u>262.84</u>

The Banning Company's loss is enhanced by a small interest charge.

During the year 1915, the Beaumont Company reported 192 consumers and the Banning Company 213, a total of 405.

It is urged that while these two companies could not operate successfully as separate systems, they can be made profitable if linked together and administered as one. Whereas the gross revenues of the two companies in 1915 amounted to \$9,779.17, the proponents of this venture believe that through consolidation the consumers can reasonably be increased to 500, the gross revenue to \$15,000 and a net income realized of \$4,500.

In order to accomplish this, however, it is planned to connect the two systems by means of a transmission line 6-1/2 miles in length. The gas will be generated at Beaumont and the station at Banning will be shut down.

The Riverside Company has an authorized issue of 1000 shares of stock of the par value of \$100 each, divided into 500 shares of 6 per cent cumulative preferred and 500 shares of common stock. The preferred stock may be retired on any dividend date after January 1, 1917 at 105.

In the application herein, authority is requested on behalf of the Riverside Company for the issue of \$50,000 par value of common stock, \$5,000 par value of preferred stock and \$20,000 of first mortgage 6 per cent bonds. It is proposed to issue these stocks and bonds for the following purposes:

A-	For the acquisition of the properties including franchises of the Beaumont Company .....	\$ 33,419	of common stock
	For the property of the Banning Company including franchises .....	<u>16,581</u>	of common stock
	Total Common Stock .....	\$ 50,000	
B-	As further payment for the purchase of the Banning properties .....	\$ 3,000	par value preferred stock
C-	For working capital 20 shares of preferred stock, par value .....	<u>2,000</u>	
	(To be sold at \$85 per share)		
	Total Preferred Stock .....	\$ 5,000	
D-	Twenty thousand dollars (\$20,000) of 6 per cent bonds to be sold at 95 per cent of face value, the proceeds to be used for the following purposes:		
	Improvements to Properties, not to exceed.....	\$ 18,000	
	Organization Expenses, not to exceed.....	<u>2,000</u>	
	Total - - - - -	\$ 20,000	

The improvements to the properties, in so far as submitted by applicant, are estimated as follows:

Generators .....	\$ 1,320.00
Boiler .....	1,485.00
Moving Compressor, Engine and Compression Tank .....	467.50
Transmission Line .....	9,060.48
Compressor .....	731.50
Meters, Regulator services .....	1,870.00
Extension of Mains .....	<u>2,156.00</u>
Total - - - - -	\$ 17,090.48

The organization expenses consist of payment to F. N. Hawes for services, automobile use, incorporation, attorneys' fees, and engineering charges.

The applicant has submitted a detailed valuation of the properties as follows:

Beaumont Company.....	\$ 24,916.33
Banning Company.....	<u>22,255.28</u>
Total - - - - -	\$ 47,171.61

The applicants further state the original cost of these properties to have been:

Beaumont Company - - - - -	\$32,000.00
Banning Company - - - - -	17,500.00
Total - - - - -	\$ 49,500.00

The Riverside Company proposes to issue its bonds under a mortgage and deed of trust to Union Trust and Savings Bank of Pasadena dated September 1, 1916 and providing for a total authorized issue of \$100,000 of bonds. These bonds mature serially in the sum of \$1,000 annually, beginning September 1, 1921 to and including September 1, 1925; \$1,500 annually to and including September 1, 1930; \$2,000 annually to and including September 1, 1935 and \$77,500 in 1936. After the issue of the first \$18,000 of bonds, new bonds may be issued for 75 per cent of the cost of additions and betterments when the net earnings for the previous twelve months shall have been one and one-half times the interest on the outstanding bonds and the bonds to be issued. A special sinking fund is also provided against the \$77,500 of bonds which will mature in 1936, consisting of 2 per cent of the aggregate of such bonds as may be outstanding. The bonds are callable after September 1, 1918 at 105.

The trust deed provides that the trustee may act upon request of the holders of 25 per cent of the bonds outstanding.

The Riverside Company covenants to pay to the Riverside Title and Trust Company the sum of \$5,200 to remove the prior mortgage now existing on the Beaumont Company properties, to which reference has previously been made.

The Beaumont Company is operating under a franchise granted by the Board of Supervisors of Riverside County in 1909 for the sale and distribution of gas and electricity for light

and power. This franchise extends for a period of 50 years and was obtained at a cost of \$25 and provides that 2 per cent of the gross receipts shall be duly paid into the treasury of Riverside County annually.

The Banning Company is operating under a franchise obtained from the Board of Supervisors of Riverside County for the sale of gas and electricity for light and power both in the Banning and Beaumont territory and over the highways connecting the two localities. The franchise was granted in 1908 and extends for 50 years.

It is the intention to transfer these two franchises to the Riverside Company, and in this connection the Riverside Company asks for a certificate of public convenience and necessity to exercise the rights and privileges conferred by these franchises including the right to distribute and sell gas through the medium of a transmission line between Beaumont and Banning.

I believe that the properties of the Beaumont and the Banning companies may be more economically operated through the processes here proposed. The parties interested in this merger are evidently convinced of this, for they offer to put into effect a reduced rate schedule. At the present time gas is being served in Beaumont and Banning at the rate of \$1.75 per 1000 cubic feet with an allowance of 10 per cent. This rate obtains for all gas up to 10,000 cubic feet.

The applicants now propose, when 500 consumers shall have been secured, to put into effect the following schedule of rates in those cases where the bills are met before the 10th day of the following month:

First 1000 cubic feet	- - - - -	\$1.50
Second 1000 cubic feet	- - - - -	1.45
Third 1000 cubic feet	- - - - -	1.40
Fourth 1000 cubic feet	- - - - -	1.35
Fifth to Tenth 1000 cubic feet, incl.	-	1.25
Eleventh to Twentieth 1000 cu.ft. incl.	-	1.10
Twenty-first 1000 cubic feet and up.	- -	1.00

I do not believe it necessary to pass in final form upon the value of the properties here concerned, but I regard the request herein as reasonable under all of the circumstances of this particular proceeding. The stock of the Riverside Company will pass into the possession of the present stockholders of the Beaumont Company and the Banning Company and thereafter will be transferred to parties who have agreed to hold it for a period of at least three years. It is recognized that in the first years of operations, the earnings will not be sufficient to pay a return upon the stock, and the projectors of this enterprise state that they intend to conserve the earnings for the initial period for the upbuilding of the new company.

The attention of the applicants has been directed to certain amendments deemed advisable in its trust deed and the authority to issue bonds will be conditioned upon such changes.

I recommend that this application be granted and submit the following form of order:

ORDER

Riverside County Gas and Power Company having applied to this Commission for authority to purchase certain properties, to issue stocks and bonds and for a certificate of public convenience and necessity; and Beaumont Gas and Power Company and The Banning Gas and Lighting Company having applied to this Commission for authority to sell their properties, all as set forth in the foregoing opinion,

And a hearing having been held and it appearing that the request herein made is reasonable, and that the public interests will be served by the sale of the properties herein mentioned, to the Riverside County Gas and Power Company, and it appearing further that the purposes for which Riverside County Gas and Power Company proposes to issue its stocks and bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California as follows:

1. Beaumont Gas and Power Company is hereby authorized to sell all of its property, real, personal and mixed, with the exception of its note and accounts receivable, to the Riverside County Gas and Power Company.

2. The Banning Gas and Lighting Company is hereby authorized to sell all of its property, real, personal and mixed, with the exception of its notes and accounts receivable, to the Riverside County Gas and Power Company.

3. Riverside County Gas and Power Company is hereby authorized to acquire all of the properties, real, personal and mixed, except their notes and accounts receivable, of Beaumont Gas and Power Company and The Banning Gas and Lighting Company.

4. Riverside County Gas and Power Company is hereby authorized to issue 500 shares of its common stock of the par value of \$100 per share, 50 shares of its 6 per cent preferred stock of the par value of \$100 per share, \$20,000 face value of its 6 per cent bonds under its mortgage and deed of trust to Union Trust and Savings Bank of Pasadena, dated September 1, 1916, as the same shall hereafter be approved by this Commission.

5. Riverside County Gas and Power Company is hereby authorized to execute a mortgage of its property in the form of a mortgage and deed of trust, which shall hereafter be approved by this Commission.

The authority herein granted is granted upon the following conditions, and not otherwise:

A- Beaumont Gas and Power Company and The Banning Gas and Lighting Company shall give Riverside County Gas and Power Company a good and sufficient deed for the properties to be transferred and shall file a copy of the same with this Commission.

B- The authority herein granted to Beaumont Gas and Power Company and The Banning Gas and Lighting Company for the transfer of their properties, and to Riverside County Gas and Power Company for the acquisition of same, shall include the franchise now owned by Beaumont Gas and Power Company granted by the Board of Supervisors of Riverside County by Ordinance #97 dated January 3, 1910, and the franchise now owned by The Banning Gas and Lighting Company by the Board of Supervisors of Riverside County by Ordinance #91 dated April 15, 1908.

C- The proceeds from the stocks and bonds herein authorized to be issued by Riverside County Gas and Power Company shall be used for the following purposes, and not otherwise:

a- For the acquisition of the properties of Beaumont Gas and Power Company free from all encumbrance or indebtedness, with the exception of a first mortgage of \$5,000 to secure a note payable on April 1, 1918, on condition that Beaumont Gas and Power Company shall make full provision to free its properties from said mortgage by placing the sum of \$5,000 with a trustee - - - \$33,419 per value of common stock

Brought Forward - - - - - \$33,419

b- For the acquisition of the properties of The Banning Gas and Lighting Company free from all encumbrance or indebtedness - - - - 16,581 par value of common stock  
 Total of Common Stock - - - - - \$ 50,000 par value

c- In further payment for the properties of The Banning Gas and Lighting Company - - - - - \$ 3,000 par value preferred stock

d- For working capital, 20 shares of preferred stock of the par value of \$100 per share to be sold at not less than \$85 per share.

e- To defray the cost of additions and betterments to applicants' property and to pay for organization expenses \$20,000 face value of applicants' bonds to be sold at not less than 95 per cent of their face value plus accrued interest thereon, the moneys derived from such sale to be devoted to the following purposes:

Generators - - - - -	\$1,320.00	
Boiler - - - - -	1,485.00	
Moving Compressor, Engine and Compressor Tank - - - - -	.467.50	
Transmission Line - - - - -	9,060.48	
Compressor - - - - -	731.50	
Meters, Regulator services - - - - -	1,870.00	
Extension of Mains - - - - -	<u>2,156.00</u>	
Total - - - - -	\$17,090.48	17,090.48
F. N. Hawes for services -c- - - - -	900.00	
To pay for automobile use - - - - -	150.00	
Incorporation - - - - -	100.00	
Attorneys' fees - - - - -	400.00	
Engineering - - - - -	<u>450.00</u>	
Total - - - - -	\$ 2,000.00	<u>2,000.00</u>
		\$19,090.48

D- The stocks and bonds herein authorized to be issued by Riverside County Gas and Power Company for the property of Beaumont Gas and Power Company and The Banning Gas and Lighting Company shall not be binding upon this Commission or other public body as a finding of value of said property.

E- Riverside County Gas and Power Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stocks and bonds 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 stocks and bonds 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.

F- The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in Section 57 of the Public Utilities Act.

G- The authority herein granted shall apply to such properties as shall have been transferred and to such stocks and bonds as shall have been issued on or before December 31, 1916.

The Railroad Commission of the State of California hereby declares that public convenience and necessity require the exercise by Riverside County Gas and Power Company of the rights and privileges conferred upon Beaumont Gas and Power Company by Ordinance No. 97 of Riverside County, adopted January 3, 1910, and upon The Banning Gas and Lighting Company by Ordinance No. 91 of Riverside County, adopted April 15, 1908, provided that Riverside County Gas and Power Company shall first have filed with the Railroad Commission a stipulation duly authorized by its Board of Directors, declaring that Riverside County Gas and Power Company, its successors and assigns, will never claim before the Railroad Commission or any

court or other public body, a value for said rights and privileges in excess of the actual cost to Riverside County Gas and Power Company of acquiring said rights and privileges, which cost is represented by Riverside County Gas and Power Company to have been not in excess of \$100, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation, in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

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 2nd day of October, 1916.

Max Thelen  
H. Howard  
W. Gordon  
Edwin O. Edgerton  
Frank R. DeWitt

Commissioners.

~~Railroad Commission State of California  
OCT 23 1916  
BY J. H. Matherson  
Assistant Secretary~~  
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