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ORIGINAL

Decision No. 5254

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

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of  
 CORONA GAS AND ELECTRIC LIGHT COMPANY,  
 a corporation, and of THE SOUTHERN  
 SIERRAS POWER COMPANY, a corporation,  
 for an order or orders authorizing the  
 sale and transfer by said CORONA GAS  
 AND ELECTRIC LIGHT COMPANY to the said  
 THE SOUTHERN SIERRAS POWER COMPANY of  
 the property, assets and business of  
 the CORONA GAS AND ELECTRIC LIGHT COM-  
 PANY, a public utility operating in and  
 adjacent to the City of Corona, River-  
 side County, State of California.

Application Number 3474.

I.B. Potter, Charles F. Potter and E.B. Criddle for applicants.

BY THE COMMISSION:

OPINION.

CORONA GAS AND ELECTRIC LIGHT COMPANY in its amended appli-  
 cation asks authority to sell to THE SOUTHERN SIERRAS POWER COMPANY  
 for \$140,951.37 all of its properties, assets and business. The pur-  
 chasing company joins in the application. The properties are to be trans-  
 ferred as of December 31, 1917. To the selling price is to be added  
 the cost of any assets that may be acquired between December 31, 1917  
 and the date on which the Railroad Commission formally approves the sale  
 of the properties less such current liabilities as may be incurred with-  
 in the same period. Reference is here made to Exhibit "C", attached  
 to the original petition, for a general description of the tangible  
 properties to be transferred.

The Southern Sierras Power Company, in addition to asking  
 authority to purchase the properties of the Corona Gas and Electric  
 Light Company, asks authority to execute an indenture whereby it  
 agrees to assume the payment of the \$58,500.00 of outstanding  
 bonds of the selling corporation. A copy of the proposed

indenture is attached to the supplemental petition herein.

A hearing was held on this application before Examiner Encell at Los Angeles on February 21, 1918.

Corona Gas and Electric Light Company was organized on or about July 10, 1903. The company has an authorized capital stock of \$50,000.00 divided into 500 shares of the par value of \$100.00 each. All of the stock is reported as outstanding. With the exception of the directors' qualifying shares, the stock is owned by the Nevada-California Electric Corporation.

In the amended petition herein, Corona Gas and Electric Light Company's balance sheet as of December 31, 1917, shows the following:

ASSETS:

Properties, . . . . .	\$99,425.66
Property and Equipment, 1/1/13, . . . . .	\$72,042.01
Additions since 12/31/12, . . . . .	27,383.65
Cash on hand and in Bank, . . . . .	36,136.43
Accounts Receivable, . . . . .	14,506.09
Consumers and Agents, . . . . .	2,237.15
Miscellaneous, . . . . .	12,258.94
Interest and Dividends Receivable, . . . . .	898.02
Materials and Supplies, . . . . .	3,503.27
Unfinished Job Orders, . . . . .	14.68
Prepaid Insurance, . . . . .	31.69
Undistributed Amounts, . . . . .	65.50
Unamortized Discount on Securities and Expense, . . . . .	6,135.96
<u>TOTAL ASSETS,</u> . . . . .	<u>\$160,717.30</u>

LIABILITIES:

Capital Stock, . . . . .	\$ 50,000.00
First Mortgage 6 per cent Gold Bonds, . . . . .	58,500.00
Current Liabilities, . . . . .	3,751.50
Vouchers Payable, . . . . .	308.40
Consumers Deposits, . . . . .	308.08
Taxes Accrued, . . . . .	1,380.02
Accruing Interest on First Mortgage Bonds, . . . . .	1,755.00
Due The Southern Sierras Power Company, . . . . .	594.80
Reserve for Accrued Depreciation, . . . . .	12,702.28
Reserve for Injuries and Damages, . . . . .	356.54
Reserve for Automobile Expense, . . . . .	47.99
Surplus, . . . . .	34,764.19
<u>TOTAL LIABILITIES,</u> . . . . .	<u>\$160,717.30</u>

The Southern Sierras Power Company, as said above, agrees to pay \$140,951.37 for the properties of the Corona Gas and Electric Light Company as of December 31, 1917. It will assume the payment of bonded and current indebtedness amounting to \$62,251.50, leaving a balance of \$78,699.87 to be paid in cash.

On May 27, 1916, the Railroad Commission authorized the Corona Gas and Electric Light Company to issue at not less than 90 per cent of their face value plus accrued interest \$58,500.00 of first mortgage 6 per cent 50-year bonds. The order of the Commission provided that of the proceeds from the sale of the bonds the company might use \$18,849.66 to liquidate indebtedness due The Nevada-California Power Company and \$422.18 to pay indebtedness due The Southern Sierras Power Company. The order of the Commission further provided that the balance --\$33,339.05-- was to be used to reimburse the company's treasury for moneys actually expended from income for additions, betterments and extensions within 3 years and 10 months prior to November 1, 1915, provided that the \$33,339.05 be held in a special fund by the company and used only for working capital or to defray the cost of future additions, betterments and extensions properly chargeable to capital account. On December 28, 1917, the Commission modified its order of May 27, 1916 so as to permit Corona Gas and Electric Light Company to loan to The Southern Sierras Power Company \$33,000.00 of the proceeds obtained from the sale of its bonds. The \$36,136.43 of cash on hand and in bank reported by the Corona Gas and Electric Light Company on December 31, 1917 includes the \$33,339.05 obtained from the sale of the bonds and <sup>with</sup> which the Commission authorized the company, subject to certain conditions, to reimburse its treasury.

In the indenture which The Southern Sierras Power Company proposes to execute, it agrees to assume the payment of the \$58,500.00 of outstanding bonds of Corona Gas and Electric Light Company; to observe all of the terms and conditions of the mortgage or deed of trust securing the payment of the \$58,500.00 of bonds, and

further agrees that it will at all times keep separable and distinguishable from other properties which may belong to The Southern Sierras Power Company the properties acquired from the Corona Gas and Electric Light Company. The bonds of the Corona Gas and Electric Light Company mature July 1, 1965. All of the bonds are owned by the Nevada-California Electric Corporation, which through stock ownership controls The Southern Sierras Power Company. In a letter of March 20, 1918, Charles F. Potter informed the Commission that the outstanding bonds of the Corona Gas and Electric Light Company would be paid off at the next interest payment date. We believe that this is the proper course to pursue in this matter and expect that the bonds will be paid off at the next interest payment date.

The Railroad Commission's engineers estimated the reproduction cost new of the tangible properties of the Corona Gas and Electric Light Company as of December 31, 1915 at \$75,581.08 and the reproduction cost new less depreciation at \$62,179.65. These figures do not include stores or supplies and cash and deposits, nor has any allowance been made for intangibles. In its decision of May 27, 1916, the Commission called attention to the fact that Halbert P. Gillette of New York estimated the reproduction cost new of the fixed capital of Corona Gas and Electric Light Company as of December 31, 1914 at \$69,184.00. During the year 1915, the company reported additions to fixed capital amounting to \$4,097.53, which will increase the reproduction cost of its physical properties to \$73,281.53 as compared with the cost found by the Commission's engineers of \$75,581.08. Using the Gillette appraisal as a basis, the company in its amended petition herein reports the reproduction cost of its fixed capital as of December 31, 1917 at \$75,307.19. In addition, the company reports-

Miscellaneous Investments, . . . . .	\$3,122.00
Materials and Supplies, . . . . .	3,503.27
Unamortized Discount, . . . . .	3,459.00
Development Cost at 8 per cent, . . . . .	<u>18,132.00</u>

Making a Grand Total of, . . . . . \$103,523.46

From this total the company would deduct \$14,159.00 allowed for depreciation, leaving a balance of \$89,364.46.

In arriving at a development cost of \$18,132.00, Corona Gas and Electric Light Company assumes that 8 per cent represents a fair return upon its properties. We do not believe that it is necessary for the Commission in this proceeding to decide what amount, if any, should be allowed for development cost. This application involves neither the issue of securities nor the fixing of rates. It involves the transfer of the properties of Corona Gas and Electric Light Company to The Southern Sierras Power Company. Both the vendor and the vendee appear to be controlled by the Nevada-California Electric Corporation. The vendor has agreed to sell and the vendee to purchase the properties at \$140,951.37. While the Commission is willing to authorize the transfer of the properties at that price, it should be distinctly understood that in so doing, the Commission in no way passes either on the amount or the propriety of a development cost. Moreover, while the Commission is willing to authorize the transfer of the properties, it does not follow from the authority herein granted that the transfer price is either a proper capital charge or a proper basis on which to predicate rates.

The testimony in this proceeding shows that the rates now charged by the Corona Gas and Electric Light Company differ in some respects from The Southern Sierras Power Company rates charged in the Corona territory. The purchasing company does not intend to increase any of the rates now paid by the consumers of the Corona Gas and Electric Light Company by reason of the transfer of the properties. So far as it can be done without any increase in rates, the purchasing company proposes to put into effect its regular rate schedules.

It appears that The Southern Sierras Power Company proposes to acquire and operate under the franchises now owned by the Corona Gas and Electric Light Company. We believe that it should

file with the Commission a copy of each and every franchise which it will acquire from the Corona Gas and Electric Light Company, together with a stipulation duly authorized by its Board of Directors, in which it agrees that neither it, its successors or assigns will ever claim before the Railroad Commission, or any other public body, a value for said franchise or franchises in excess of the amount actually expended by the vendor in acquiring the same.

O R D E R.

CORONA GAS AND ELECTRIC LIGHT COMPANY and THE SOUTHERN SIERRAS POWER COMPANY having applied to the Railroad Commission for an order authorizing the sale and transfer of properties referred to in the foregoing opinion, a hearing having been held and the Commission being of the opinion that this application should be granted,

IT IS HEREBY ORDERED that CORONA GAS AND ELECTRIC LIGHT COMPANY be, and it is hereby, granted authority to sell to THE SOUTHERN SIERRAS POWER COMPANY for the consideration which is specified in the opinion which precedes this order all property of whatever character owned or controlled by said CORONA GAS AND ELECTRIC LIGHT COMPANY.

IT IS HEREBY FURTHER ORDERED that THE SOUTHERN SIERRAS POWER COMPANY be, and it is hereby, granted authority to execute an indenture substantially in the same form as the indenture attached to the supplemental petition herein filed on March 13, 1918.

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

- (1).--- Before the authority herein granted to transfer properties shall become effective, The Southern Sierras Power Company shall file with the Railroad Commission a

stipulation duly authorized by its Board of Directors, in which stipulation The Southern Sierras Power Company agrees that neither it, its successors or assigns will ever claim before the Railroad Commission, or other public body, a value for the franchise or franchises to be acquired from the Corona Gas and Electric Light Company, pursuant to the authority herein granted, in excess of the amount actually paid to the City of Corona as the consideration for the grant of such franchise or franchises, which amount shall be set forth in the stipulation, and shall have obtained from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory has been filed with the Railroad Commission.

- (2).-- The authority herein granted shall not become effective until the Railroad Commission has approved the book-keeping entries relative to the transfer of the properties herein authorized to be sold.
- (3).-- The Southern Sierras Power Company shall file with the Railroad Commission a copy of each and every franchise acquired from the Corona Gas and Electric Light Company.
- (4).-- The price at which The Southern Sierras Power Company is authorized to acquire the properties of the Corona Gas and Electric Light Company shall never be urged upon the Railroad Commission, or other public body, as a measure of value on which to base rates, issue securities or for any other purpose.
- (5).-- Within thirty days after the transfer of the properties herein authorized, The Southern Sierras Power Company shall file a verified copy of the deed of conveyance.

(6).-- The authority herein granted shall apply only to such property as shall be transferred on or before September 1, 1918.

Dated at San Francisco, California, this 29th day of March, 1918.

Max Theiler

Alex G. Gordon

Edwin O. Edgerton

Harold R. Decker

Commissioners.