

Decision No. _____

ORIGINAL

Decision No. 5335

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
ONTARIO POWER COMPANY)
for a certificate of Public Conveni-) Application Number 3822.
ence and Necessity.)

In the Matter of the Application of)
ONTARIO POWER COMPANY)
for an order authorizing the issue) Application Number 3823.
of notes.)

Glenn D. Smith for applicant.

LOVELAND, Commissioner.

O P I N I O N.

In Application Number 3823, ONTARIO POWER COMPANY asks authority to execute to Oscar Arnold, trustee, an agreement defining the terms and conditions under which it may issue \$90,000 of 7 per cent serial notes and issue at this time at par \$60,000 of said notes and use the proceeds to finance the installation of the hydro-electric plant referred to below.

In Application Number 3822, ONTARIO POWER COMPANY asks the Railroad Commission to declare that public convenience and necessity require and will require it to construct a hydro-electric plant in San Antonio Canyon. The company reports that it owns a power right on San Antonio Creek which it desires to develop. It proposes to take the water from the San Antonio creek at a point

near the south line of the N.W. $\frac{1}{2}$ of the N.W. $\frac{1}{2}$ of Section 30, Town 2 N., Range & W., S.B.B. & M., and carry it by 30 inch cement pipe line approximately 3230 feet at a grade of $2\frac{1}{2}$ ' per 1000' and deliver it to a 24 inch steel pressure line, which will convey it 1400 feet to the power house located in the S.E. $\frac{1}{2}$ of the S.E. $\frac{1}{2}$ of Section 25, Town 2 N., Range 8 West, S.B.B. & M. The gravity line will have a capacity of approximately 20 second feet. The surveyed head from point of intake of the pressure line to the waterwheel nozzles is 310.5 feet. It is proposed to install a 600 horsepower impulse waterwheel direct connected to a 500 K.V.-A., 80% power factor, 11,500 volt generator. It is estimated that the plant will produce approximately 2,700,000 kilo watt hours per annum. The Southern California Edison Company will contract to take all of the current generated and not absorbed by the Ontario Power Company, except during the hours of 12 midnight until 6 A.M. during the first five years of the contract, and after five years, it will take all the current generated, at all hours, not absorbed by the Ontario Power Company.

In a statement attached to the petition in Application Number 3822, applicant reports the estimated cost of installing the proposed power plant at \$64,551.00. The Engineering Department of the Commission has checked the estimated cost and reports the same to be reasonable. The Engineering Department further reports that under the conditions of the contract with the Southern California Edison Company and the requirements of the Ontario Power Company, the proposed plant will be a benefit and its installation justified.

Under the agreement which applicant proposes to execute to Oscar Arnold, trustee, it may issue from time to time \$90,000 of 7 per cent serial notes date July 1, 1918. Notes in the amount of \$6,000 mature annually. All or part of the notes

are subject to redemption at par on July 1, 1921, or on any subsequent interest payment date. Of the notes, applicant at this time desires authority to issue \$60,000, the remaining \$30,000 of notes may be issued in such amounts as at par value will equal 80 per cent of the cost of permanent improvements and betterments or property acquired.

For the purpose of creating an annual sinking fund for the payment of notes and interest, the company agrees that on July 1, 1918 and on the first day of each month thereafter so long as any of the notes remain unpaid, it will pay to the trustee the sum of \$500.00 plus an amount equivalent to the monthly interest accruing during the month in which said payment becomes due. All moneys paid into the sinking fund shall be deposited by the trustee in his name as trustee in the First National Bank of Ontario, in the City of Ontario, California. While the agreement directs the trustee to use the sinking fund payments to redeem notes and pay interest on the notes, the company retains the right to control the investment of the sinking fund payments. In my opinion, the nature of the securities which may be acquired through sinking fund payments, should not be left to the discretion of the company, but should be defined specifically in the agreement. I believe that the agreement should be modified so as to require the application of the sinking fund moneys to the payment of interest and the redemption of the notes, or pending such payments, to be deposited in a bank in the name of the trustee or invested only in such securities as may be legal investments for savings banks under the Bank Act of California. It is, of course, obvious, inasmuch as the notes mature serially, that the sinking fund moneys should be held as a free asset in order that the moneys may be available when interest is payable and the notes become due.

Reports on file with the Railroad Commission indicate that the earnings of Ontario Power Company have been more than adequate to pay interest on \$60,000 of notes, and that under judicious management the company should encounter no difficulty in meeting its interest charges.

I herewith submit the following form of Order.

O R D E R.

ONTARIO POWER COMPANY having applied to the Railroad Commission for permission to construct a hydro-electric plant and for permission to execute an agreement and issue notes thereunder, as indicated in the foregoing opinion, a hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

The Railroad Commission HEREBY DECLARES that public convenience and necessity require and will require ONTARIO POWER COMPANY to construct the hydro-electric plant referred to in the foregoing opinion and more particularly described in the petition in Application Number 3822.

IT IS HEREBY ORDERED that ONTARIO POWER COMPANY be, and it is hereby, granted authority to execute an agreement substantially in the same form as the agreement attached to the petition in Application Number 3823 for the purpose of defining the terms and conditions under which applicant may issue \$90,000 of 7 per cent serial notes, provided that the sinking fund provision

referred to in said agreement be modified so as to limit the use of the sinking fund payments to the payment of the notes and the interest as the same becomes due, and pending such payment, to be deposited in a bank or banks in the name of the trustee, or invested in securities which may be legal investments for savings banks under the Bank Act of the State of California, and such securities deposited with the trustee to be held by the trustee as security for the payment of the notes.

IT IS HEREBY FURTHER ORDERED that ONTARIO POWER COMPANY, be and it is hereby, granted authority to issue, at not less than par, for cash, \$60,000 of 7 per cent serial notes upon the following conditions:

- (1).-- The proceeds obtained from the sale of the notes shall be used to finance in whole or in part the construction of the hydro-electric power plant to be constructed pursuant to the authority granted in this order.
- (2).-- The approval herein given of the agreement under which applicant proposes to issue, as and when authorized by the Commission, \$90,000 of serial notes, is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.
- (3).-- Ontario Power Company shall file a verified copy of the agreement herein authorized to be executed, within ten days after its execution.
- (4).-- Ontario Power Company shall keep separate, true and accurate

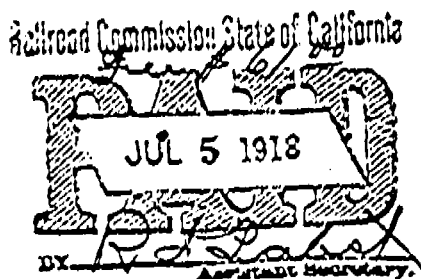
accounts showing the receipt and application in detail of the proceeds of the notes herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of the proceeds shall have been disbursed, shall make verified reports to the Commission in accordance with the Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

(5).--The authority herein granted shall not become effective until Ontario Power Company has paid the fee prescribed in the Public Utilities Act.

(6).--The authority herein granted shall apply only to such notes as may be issued on or before December 1, 1918.

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 1st day of July, 1918.



[Signature: Edwin C. Edgerton]
[Signature: H. B. ...]
[Signature: ... Gordon]

Commissioners.