

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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 In the matter of the application of :
 Citrus Belt Gas Company to buy a :
 system of gas plants and to issue : Application No. 359.
 stocks, bonds and notes, and of P.J. :
 Dubbell to sell a system of gas plants. :

H. L. Carnahan for applicant
Edgar C. Pratt for bondholders

GORDON, Commissioner.

O P I N I O N

This is an application by Citrus Belt Gas Company to purchase gas plants now held in the name of P. J. Dubbell as trustee, embracing two plants in Redlands, one in San Bernardino, one in Colton and one in Corona; and by P. J. Dubbell to sell the same; and by Citrus Belt Gas Company to issue stock, bonds and notes for the purpose of acquiring these properties. Citrus Belt Gas Company applies for authority to issue \$444,400 in stock, \$444,400 of five percent thirty year cumulative income bonds; \$100,796.54 in notes; and for purposes of collateral security, \$98,000 of five percent thirty year cumulative income bonds. The notes in the amount of \$100,796.54, consist of \$84,000 in 6% promissory notes due serially from 1917 to 1922; a promissory note for \$7,000 due in one year with interest at 6%, a promissory note for \$7000. due in two years with interest at 6%, and promissory notes for the amount of \$2796.54 due in five years with interest at 5%.

It is proposed by Citrus Belt Gas Company to issue the stock and bonds and notes to P. J. Dubbell in exchange for the gas plant properties under an agreement by which Mr. Dubbell is to distribute the stock and bonds and notes among those persons for whom he is acting as trustee under a "plan of re-organization" previously

agreed upon. Subsequent to the hearing in this case Mr. John M. Gardiner filed a protest and supplemental protest, which have been duly considered by the Commission.

A determination of the issues presented to the Commission in this matter requires a review of the facts which have brought about this application.

In 1909 Mr. John M. Gardiner organized the San Bernardino Valley Gas Company. The San Bernardino Valley Gas Company proceeded to acquire the following gas properties: Redlands Gas Company, (called "The Edison Company"); Home Gas & Electric Company of Redlands, Home Gas & Lighting Company of San Bernardino, Corona Gas and Electric Company and Colton Gas Company.

San Bernardino Valley Gas Company took over these properties at an appraised valuation of \$602,700.00. It assumed bonds against these properties in the sum of \$267,200.00; notes to the amount of \$319,500.00, and paid \$16,000.00 in cash. The bonds as assumed were:

Home Gas & Lighting Company of San Bernardino.....	\$ 40,000.00
Home Gas & Electric Company of Redlands.....	113,700.00
Redlands Gas Company.....	50,000.00
Redlands Gas Company.....	48,500.00
Colton Gas Company.....	15,000.00
Total.....	<u>\$267,200.00</u>

In addition, bonds of Home Gas & Electric Company of Redlands to the amount of \$84,000.00 had been pledged as collateral securities for notes issued by said company. When San Bernardino Valley Gas Company took over the properties of Home Gas & Electric Company of Redlands, a secured note was given for the equity in the property over the bonds with the understanding that, as the note was paid, the pledged bonds of Home Gas & Electric Company to the amount of \$84,000.00 were to be called in. As will appear later, these \$84,000.00 of bonds were never redeemed.

San Bernardino Valley Gas Company had an authorized stock issue of \$1,500,000.00 and an authorized bond issue in like amount. Of the \$1,500,000.00 of bonds, San Bernardino Valley Gas Company made the following disposition:

Bonds not certified.....	\$ 598,500.00
Held for refunding.....	268,000.00
Bonds in treasury.....	35,500.00
Sold or exchanged for property.....	186,000.00
Pledged as collateral security for promissory notes.....	<u>414,000.00</u>
Total	\$1, 500,000.00

It appears from the facts presented that San Bernardino Valley Gas Company, after assuming control of the consolidated companies, found itself the owner of properties which it had ~~appraised~~ appraised at \$602,700.00 and with fixed liabilities in the sum of \$586,700.00.

From the appraisals made for San Bernardino Valley Gas Company, it would appear that it began business after the consolidation of the five gas properties with the following ~~assets~~ assets and liabilities:

ASSETS (As Appraised by Company)

Plant of Home Gas & Electric Company of Redlands and Redlands Gas Company	\$374,200.00
Plant of Home Gas & Lighting Company of San Bernardino.....	137,500.00
Plant of Colton Gas Company.....	56,000.00
Plant of Corona Gas & Electric Company.....	<u>35,000.00</u>
Total (appraised value of prop- erties)	\$602,700.00

LIABILITIES

Underlying bonds, assumed.....	\$267,200.00
Note given to Home Gas & Electric Company of Redlands for equity in property over bonds.....	151,000.00
Note given Home Gas & Lighting Company of San Bernardino for equity in property over bonds.....	92,500.00
Note given Colton Gas Company for properties	41,000.00
Note given Corona Gas & Electric Company for properties.....	<u>35,000.00</u>
Total	\$586,700.00

It is probable that there were other liabilities in the form of expense incurred during the process of consolidation.

The consolidated company continued to operate until 1911, when it defaulted in the payment of the interest on its bonds and the creditors proceeded to have it declared a bankrupt.

On May 29, 1911, San Bernardino Valley Gas Company was adjudged a bankrupt, and on August 8, 1911, Los Angeles Trust & Savings Bank was selected as trustee. The property was operated in bankruptcy until the following summer. On June 29, 1912, the referee in bankruptcy authorized the sale of the properties of San Bernardino Valley Gas Company at public auction. In the meanwhile the creditors had united, and under an authorization of 95% of the claims against the company had formed a creditors' committee. On July 30, 1912, the properties of the bankrupt were sold at public auction to Mr. P. J. Dobbell, acting as trustee for the creditors, for the sum of \$470,000.00.

In conformity with the order of the court the properties were turned over to P. J. Dobbell on August 17, 1912.

In November 1911, the creditors, through their Committee, had organized Citrus Belt Gas Company, for the purpose eventually of taking over the gas properties.

Citrus Belt Gas Company has an authorized stock issue of \$1,500,000, and an authorized issue of \$1,500,000 of 5% thirty years cumulative income bonds. It issued only enough stock to qualify its directors and has issued no bonds. Application is now made by Mr. P. J. Dobbell and Citrus Belt Gas Company for authority to transfer the gas properties now held by Mr. P. J. Dobbell to Citrus Belt Gas Company and by Citrus Belt Gas Company for authority to issue to Mr. P. J. Dobbell in exchange for these properties its stock, bonds and notes in accordance with a definite plan of re-organization under which Mr. Dobbell is to turn over the stock, bonds and notes of Citrus Belt Gas Company to the creditors of the Bankrupt San Bernardino Valley Gas Company, who shall thereby become the holders of the stock, bonds and notes of Citrus Belt Gas Company.

The plan of re-organization as submitted for the Commission's approval, provides for the assumption by Citrus Belt Gas Company of the underlying bonds in the sum of \$267,200.00 and for the recognition in full of the creditors' claims in the sum of

\$545,196.54. It provides that these creditors' are to receive income bonds to the amount of \$444,400.00 and promissory notes to the amount of \$100,796.54, making a total of \$545,196.54, and in addition, stock to the amount of \$444,400.00.

The creditors' claims consist of the following:

Bonds of San Bernardino Valley Gas Company.....	\$187,000.00
Notes payable.....	285,866.09
Accounts payable.....	14,140.54
Interest on bonds.....	19,087.50
Interest on notes.....	39,102.41

Total.....\$545,196.54

The bonds of San Bernardino Valley Gas Company were sold to investors and exchanged for property.

Between ninety percent and ninety-five percent of the notes payable represent amounts due on the purchase of the five gas plants. The accounts payable represent indebtedness incurred in the purchase of supplies.

The interest on bonds and notes represents the unpaid interest on the bonds and notes which has accumulated largely during the period of bankruptcy.

A brief analysis of the proposed plan of reorganization is essential to the proper consideration of the issues herein presented. With the plan of the company to pay certain items, this Commission is not concerned, and for that reason this discussion will include only those features for which the approval of this Commission is required under the Public Utilities Act.

It is proposed in the plan of reorganization to pay dollar for dollar, with interest during bankruptcy, all claims against the defunct San Bernardino Valley Gas Company. After providing for the payment of certain minor claims in cash, the plan as submitted to the Commission proposes:

- (1) That all ~~the~~ unsecured claims for less than \$100.00 each be paid in notes of Citrus Belt Gas Company, bearing 5% interest, due March 1, 1917.
- (2) That all unsecured claims exceeding \$100.00 each be

paid in bonds of Citrus Belt Gas Company, at par,

and that 5% promissory notes of Citrus Belt Gas Company be given for the fractions of \$100.00.

(3) That the indebtedness to Home Gas & Electric Company of Redlands, placed at \$130,102.46 be paid as follows: \$84,000.00 in 6% promissory notes, due serially from March 1, 1917 to March 1, 1922; \$7000.00 in the form of a one-year promissory note with 6% interest;

\$7,000.00 in the form of a two-year promissory note with ^{6%} interest.

\$32,100.00 in 5% income bonds;

Making a total of \$130,100.00.

The balance of \$2.46 represents the fraction to be met in the form of a 5 year note.

(4) That the holders of all other secured promissory notes of San Bernardino Valley Gas Company be paid principal and interest in 5% income bonds of Citrus Belt Gas Company at par, promissory notes with 5% interest to be issued for the fraction of \$100.00.

(5) That the holders of bonds of San Bernardino Valley Gas Company be paid principal and interest in full ⁱⁿ 5% income bonds of Citrus Belt Gas Company at par, and 5% 5 year promissory notes for the fractions of \$100.00.

I shall now proceed to consider the present financial condition of these properties as they exist in the possession and control of Mr. P. J. Dubbell, the trustee for the creditors.

The properties consist of the same gas plants which Mr. Gardiner consolidated into one company. They serve the cities of Redlands, San Bernardino, Colton and Corona and contiguous territory with gas. Among the assets are certain securities of the Lytle Creek Power Company to which I shall subsequently refer with greater detail. These gas properties were consolidated on an ap-

praisal as previously stated of \$602,700.00 and of their present value I shall have more to say later. It appears that in the sale of these properties to Mr. P. J. Dubbell specific recognition was given to the underlying bonds in the sum of \$267,200.00, and to the claims represented by \$84,000.00 of bonds of Home Gas & Electric Company of Redlands, which had been pledged as collateral security for note indebtedness. That the sale of the properties to Mr. P. J. Dubbell for \$470,000.00 entailed a recognition of this underlying indebtedness in the total sum of \$351,200.00 is clearly shown by the evidence. The certificate of conveyance from Los Angeles Trust & Savings Bank to Mr. P. J. Dubbell sets out clearly that the transfer is made subject to these obligations. Citrus Belt Gas Company filed evidence with this Commission also tending to establish the complete recognition of this indebtedness. I find therefore that as the properties now stand with title resting with Mr. P. J. Dubbell as trustee they are encumbered with indebtedness to the amount of \$351,200.00. Mr. P. J. Dubbell, as owner of these properties as trustee, has paid \$470,000.00 for them and possesses them subject to an indebtedness of \$351,200.00.

These properties operated by the trustee during the calendar year of 1912 showed ~~net~~ earnings and expenses for the year as follows:

Gross gas revenue.....	\$112,277.32	
Manufacturing expenses.....	\$40,889.02	
Distribution expenses.....	9,421.96	
General expenses.....	13,093.55	
Taxes.....	4,364.94	
General office expenses.....	5,069.78	72,839.25
Net operating gas revenue.....		\$ 39,438.07
Net profit on merchandise sales.....		1,774.14
Operating revenue.....		<u>41,212.21</u>
Non-operating revenue.....	\$ 552.00	
Interest on bonds.....	900.00	
Interest on notes.....	1,911.12	
Discount.....	44.90	
Total non-operating revenue.....		<u>3,408.12</u>
Total net revenue.....		\$ 44,620.33

Having considered the condition of these properties as ~~they~~ they exist at this time under the trustee, I shall now inquire into the conditions that the proposed plan of reorganization aims to bring

about, and for that purpose it is essential at the beginning to ~~determine~~ determine as far as possible the value of these properties. While expert testimony of competent engineers frequently shows a wide range in fixing values, we are somewhat fortunate in this case, in that the engineering estimates are not very wide apart.

There are, as a beginning, two valuations made by Mr. Z.T. Bell, engineer for San Bernardino Valley Gas Company and who is also acting as engineer for the trustee. Mr. Bell has made a careful examination of these properties and has submitted to the Commission two estimates. At the time of the consolidation of these properties in 1909 Mr. Bell appraised the physical properties at \$602,700.00 and in a subsequent valuation in August 1912 Mr. Bell appraised these same physical properties at \$564,749.11. Mr. Bell explained the difference in these valuations by stating that he was more particular in the second estimate to get down to actual valuation and that he was more conservative in his method.

Mr. E. S. Moulton, president of Citrus Belt Gas Company and a member of the reorganization Committee, assumed a valuation of \$500,000 to which he added \$300,000.00 for "going concern" value. Mr. Moulton's figures are clearly based on the estimates of Mr. Bell, and he added \$300,000.00 as a value on which he said he believed the property could be made to pay. In proof of this Mr. Moulton referred to the statement of earnings for the calendar year of 1912, showing net income of \$44,620.33. Mr. Moulton apparently assumes that as this figure is approximately 5% of \$900,000.00 the property should be considered worth \$900,000.00. However, he neglected to figure depreciation, which alone would dispose of at least \$15,000. to \$20,000. of this income. If depreciation were deducted in the sum of only \$20,000.00, the property would show net earnings of approximately \$25,000. or 5% on \$500,000.

Mr. Moulton's theory is the familiar one that leads to the circle of logic that value is based on earnings and in turn that earnings are based on value. As a matter of fact the earnings on these properties are subject to regulation by state and municipal

authorities, and it appears that the Company's rates have been subject to revision within the city of San Bernardino. If we pursue the theory advanced by Mr. Moulton to its ultimate conclusion it must lead eventually to this: that excessive rates make excessive values, and a utility, once having put excessive rates into effect, could claim thereafter excessive value upon which for all time to come excessive rates must be permitted. To permit utilities to construct values by this process would be merely to license them to capitalize exorbitant rates. I do not find any merit in the contention that these properties have a "going concern" value of \$300,000.00. On the contrary I am inclined to believe that, through failure to maintain a proper depreciation account, these properties have deteriorated rather than increased in value.

We have Mr. Moulton's estimate of 5% per annum as a proper depreciation rate and it appears that the depreciation has not been charged off for three years. I find that a depreciation charge of 3½% carried over the time for which no depreciation has been accumulated would reduce Mr. Bell's second estimate to approximately \$500,000. A check made by the engineering department of the Commission discloses certain features of Mr. Bell's appraisal that are somewhat high. The revision of the estimate by the commission's engineering department would tend to lower Mr. Bell's valuation by approximately \$23,000.00. We have then this result:

Mr. Bell's first valuation \$502,700.00
Mr. Bell's second estimate 564,749.11
Mr. Bell's second valuation, less depreciation \$500,000.00.

Mr. Bell's valuation as revised by the Commission's engineers, less depreciation, \$477,000.00

Price in bankruptcy proceedings \$470,000.00.

I am inclined to believe that the appraisal representing the most accurate valuation of these properties are to be found in Mr. Bell's valuation, with depreciation to date, in the sum of \$500,000.00 and the revision as made by the Commission's engineers in the sum of \$477,000.00. I believe these figures to be liberal to the Company. They are based upon the conclusions of its own

engineer as to a fair measure of the value before depreciation for the last three years had been charged off. Mr. Bell and Mr. Moulton both concede that there has been such a depreciation. I am of the opinion that the revision as submitted by the engineers of the Commission is proper and fair. I find further that the price of \$470,000.00, at which the properties were sold in bankruptcy proceedings, may be taken in some degree as a measure of their value. The Supreme Court in the case of the San Diego Land & Town Company vs. James A. Jasper, 189. U. S., 439, said that the foreclosure price was often more important evidence as to value than the original cost.

If this were a rate-fixing inquiry I would proceed to find a definite value for this property, but for the present purpose it is sufficient to find an approximate figure. It is clearly in evidence that the value of these physical properties lies between \$470,000.00 and \$500,000.00.

I find among the assets held by P. J. Dabbell as trustee certain securities of Lytle Creek Power Company. Testimony taken at the hearing shows that these securities have a value that may be estimated approximately from \$40,000.00 to \$50,000.00. In the absence of a definite figure it may be assumed that \$40,000.00 to \$50,000.00 will be added to the valuation as given above. It is the intention to invest the money received from the sale of Lytle Creek Power Company securities in additions and betterments to the gas properties. It may be assumed, therefore, that a valuation may be given the properties as they will stand after these additions have been made, ranging from \$510,000.00 to \$550,000.00.

We may begin, therefore, a consideration of the affairs of Citrus Belt Gas Company under the proposed plan of reorganization by assuming assets of \$510,000.00 to \$550,000.00. Under the proposed plan or reorganization the company's indebtedness will consist of the underlying bonds in the sum of \$267,200.00 and in the recognition of all outstanding claims at full value, in the amount of \$545,196.54. Assuming for the present the maximum valuation of the

properties, a statement of the assets and liabilities of Citrus Belt Gas Company under the proposed plan of reorganization would show the following:

LIABILITIES

Underlying bonds assumed:

Home Gas & Electric Company of Redlands 6% bonds	\$113,700.
Redlands Gas Company, 6% bonds.....	50,000.
Redlands Gas Company, 5% bonds.....	48,500.
Home Gas & Lighting Company of San Bernardino 5% bonds.....	40,000.
Colton Gas Company, 5% bonds.....	15,000.
	\$ 267,200/
Income bonds of Citrus Belt Gas Co. 5%	444,400.
Promissory notes, 6%	98,000.
Promissory notes, 5%.....	2,796.54
Total liabilities	\$ 812,396.54

ASSETS

Plant value.....	550,000.
Deficit in assets.....	\$ 262,396.54

This tabulation takes no account of stock which the applicant proposes to issue in the sum of \$444,400. It shows a surplus of liabilities over assets of \$262,396.54.

It is manifest that, under the proposed plan of reorganization, Citrus Belt Gas Company, would be insolvent from the beginning. This is a conclusion from which I can see no escape. In fact it appears so clear that the proposed plan would create another bankrupt that I am forced to conclude that the plan as worked out cannot be successfully put into operation.

Assuming that Citrus Belt Gas Company were given authority to put the proposed plan of reorganization into effect we may take as an index of its earning capacity the report for the calendar year of 1912. This shows a net income of \$44,620.33. From this must be deducted depreciation, which at 4% on \$500,000.00 of depreciable property would be \$20,000.00, leaving a balance of \$24,620.33 to be applied as interest on the outstanding securities. The annual interest on these securities would be as follows:

On \$267,200.00 of underlying bonds.....	\$14,977.00
On \$444,400.00 of income bonds at 5%.....	22,220.00
On 98,000.00 promissory note at 6%.....	5,880.00
On 2,796.54 " " " 5% ✓ %	139.82
Total.....	<u>\$43,236.82</u>

The company would have \$24,620.33 available to pay the accumulated interest of \$43,236.82. Furthermore, under the proposed plan of reorganization, one of the promissory notes in the sum of \$7,000 falls due at the end of the first year. No method has been provided to meet this payment, and unable to pay the full interest on its bonds, the company, as a matter of course, would not be in position to meet the \$7,000. note falling due.

If it was intended under this proposed plan of reorganization to better the financial condition surrounding these properties, apparently the object in view has not been attained. It is in evidence that San Bernardino Valley Gas Company, after the consolidation of the various gas plants, showed physical properties practically ~~ix~~ identical with those which it is now proposed to turn over to Citrus Belt Gas Company. The outstanding obligations with which San Bernardino Valley Gas Company burdened these properties amounted to \$586,700. It is now proposed by Citrus Belt Gas Company to take the same properties and burden them with fixed obligations in the sum of \$812,396.54. In other words, it is proposed to take these same properties which collapsed under a load of \$586,700. and superimpose upon them, not only the same load, but \$225,696. in addition. If San Bernardino Valley Gas Company could not pay interest on \$586,700. of obligations, certainly Citrus Belt Gas Company, with the same properties, cannot in reason be expected to earn interest on the same amount of obligations and on \$225,696. in addition. Obviously the only possible way in which it can earn the interest is to charge exorbitant rates to its consumers, rates which must be based on fictitious valuations.

In addition to this accumulation of indebtedness it is proposed also to issue stock to the amount of \$444,400. That this stock, so issued, would represent no value whatever is admitted by

the applicant in this case.

The proposed plan of reorganization, therefore, would bring about conditions directly adverse to the declared policy of the state as expressed in the Public Utilities Act.

The desire to issue an over-abundance of notes and bonds is an effort to bridge over with securities the accumulation of years of loss and apparent mismanagement. If the value of this property is not greater than \$550,000. no alchemy of finance can produce a value of \$812,000. After reorganization, economical and efficient management may certainly make these properties more valuable than they now are, but they cannot produce \$812,000. of property out of \$550,000. at this time.

In behalf of this proposed plan of reorganization it was urged by a witness for applicant that it merely desired to pay its debts. This argument has been presented to the Commission before on behalf of a utility desiring to over-issue its securities. In reality, this proposal does not so much mean that the company intends to pay its debts as that it intends that the public shall pay them. The value of the securities thus issued could only be established through an income sufficient to meet the interest thereon and this income must come from the public in the form of rates.

There are other weighty reasons that render the proposed plan of reorganization unfortunate. The properties have been allowed to depreciate; the company has competition in the rich territory of San Bernardino and it is in evidence that natural gas may be introduced into the field served by applicant. It is also in evidence that Citrus Belt Gas Company must make certain extensions, and once heavily overloaded with obligations it would find itself in dire straits to borrow money necessary for these additions to its property.

The parties now in control of Citrus Belt Gas Company stated at the hearing that it was not the intention so much to engage in the gas business as to operate the properties until such a time as

a purchaser could be found. Surely the less encumbrance the greater the opportunity for sale. It has been urged, also that the income bonds such as the applicant herein desires to issue, would ^{not} prove embarrassing, for the reason that interest need be paid only if earned. It is admitted that the income bond was selected chiefly through the expectation that the company could not meet the interest. Such a bond would naturally depreciate greatly in price and would be but little better than a preferred stock. It would serve as a barrier to future and better financing.

It is beyond question that in the proposed reorganization of these properties, the committee in charge has labored with good intention. It endeavored to accomplish two things; to reorganize the properties upon an efficient operating basis and to satisfy the creditors on a dollar for dollar basis. While the aim is worthy in both respects, they cannot be reconciled. If the property is to be efficiently operated in the interest of the public, it must not be weighted down with a heavier load of debt than it can carry. On the other hand, if it aims singly to pay out upon this excessive indebtedness it could do so only at the ~~xxxx~~ sacrifice of service and equitable rates. If the trustees who are to operate these properties desire to serve the public properly they must abandon the thought that they can at this time pay out in full upon the accumulated indebtedness.

Even though this Commission should authorize Citrus Belt Gas Company to issue all the securities prayed for, it would still avail it nought. The city of San Bernardino in the exercise of its authority over the rates of public service corporations could in the future as it has done in the past, fix the rates to be charged for gas. These rates are fixed upon a fair value of the property and calculations as to earnings must be gauged accordingly. The power of the other cities served by these properties to fix rates must also be taken into account.

I shall now consider the relationship among the various classes of indebtedness represented by the creditors' claims to determine what obligations Citrus Belt Gas Company must legally assume and what it may voluntarily assume. The assignment from Los

Angeles Trust & Savings Bank to Mr. F. J. Dubbell as trustee, executed on August 17, 1912, sets forth specifically that the properties are conveyed subject to the following underlying bonds:

Bonds of Home Gas & Lighting Company of San Bernardino issued under mortgage and deed of trust to W. S. Hooper, and dated March 30, 1906.....	\$40,000
Bonds of Home Gas & Electric Company of Redlands, issued under a mortgage and deed of trust to Title Insurance and Trust Company of Los Angeles, dated, July 1, 1906.....	\$ 113,700.
Bonds of Redlands Gas Company, issued under a mortgage and deed of trust to Union Trust Company of San Francisco.....	\$ 50,000.
✓ Bonds of Redland ^s Gas Company, issued under a mortgage and deed of trust to Union Trust Company, dated May 1, 1903.....	\$ 48,500.
Bonds of Colton Gas Company issued under a mortgage and deed of trust to Los Angeles Trust and Savings Bank.....	\$ 15,000
Total	\$ 267,200.
Approximately \$84,000 face value of the bonds of Home Gas & Electric Company of Redlands being part of the bonds provided for by that certain trust deed dated July 1, 1906, held as collateral security for an indebtedness of San Bernardino Valley Gas Company-----	84,000
Grand Total.....	\$ 351,200

Citrus Belt Gas Company must begin therefore by recognizing the underlying bonds in the sum of \$267,200. and the indebtedness represented by collateral bonds of Home Gas & Electric Company of Redlands in the sum of \$84,000.

✓ The underlying bonds in the sum of \$267,200. were assumed at the time of the consolidation of these properties ----- in 1909, and the indebtedness represented by \$84,000. of Home Gas & Electric Company bonds came about also through the transactions incidental to the consolidation. When San Bernardino Valley Gas Company purchased the properties of Home Gas & Electric/of Redlands, it took over the physical properties and not the stock of Home Gas & Electric Company. Home Gas and Electric Company had issued bonds to the amount of \$113,700.

When San Bernardino Valley Gas Company purchased the properties of Home Gas & Electric Company, it assumed the outstanding bonds in the sum of \$113,700.00 and gave its note in the sum of \$151,000.00 to Home Gas & Electric Company for the equity in the properties. It was provided that when payment of the note of \$151,000.00 had been completed the \$84,000.00 of collateral bonds were to be returned to Home Gas & Electric Company and cancelled. San Bernardino Valley Gas Company had paid only \$38,054.00 upon the note when it went into bankruptcy, leaving a balance of \$112,946.00 unpaid. Having failed in its obligation to pay \$151,000.00 to Home Gas & Electric Company of Redlands, the \$84,000.00 in bonds of Home Gas & Electric Company were not called in and are therefore still outstanding. As San Bernardino Valley Gas Company had taken over the properties of Home Gas & Electric Company and had assumed such bonds as were a mortgage thereupon, and in the sale of the properties, it was provided that any conveyance should be conditioned upon the recognition of this underlying indebtedness of \$84,000.00. It develops, therefore, that Mr. P. J. Dabbell, holding these properties as trustee, does so subject not only to the underlying bonds in the amount of \$267,200.00 but to the \$84,000.00 of Home Gas & Electric Company Collateral bonds in addition. Any transfer of the properties which Mr. Dabbell may make to Citrus Belt Gas & Electric Company will therefore transfer automatically an initial indebtedness of \$351,200.00.

It has already been established that the value of this property, presupposing the investment in additions and betterments of the money received from the sale of the Lytle Creek Power Company securities, will range from \$510,000.00 to \$550,000.00. The indebtedness, therefore, will be from 63 per cent to 68 per cent of the value of the properties.

We shall now pass to a consideration of the other claims of these creditors. These claims may be thus summarized:

Bonds of the San Bernardino Valley Gas Company	—\$187,000.00
Notes Payable	285,866.00
Accounts Payable	14,140.54
Unpaid Interest on Bonds	19,087.50
Interest on Notes Payable	39,102.41
Total	----- \$545,196.54

In the item of "Notes Payable" is included a note for \$112,946.09. This is the balance due on the note given by San Bernardino Valley Gas Company to Home Gas & Electric Company, and upon the payment of which the aforesaid \$84,000.00 of Home Gas & Electric Company bonds were to be returned and cancelled.

The sale of the gas plant properties to Mr. P. J. Dubbell having been made subject to the lien of these \$84,000.00 of collateral bonds, and as any transfer of the properties to Citrus Belt Gas Company carries this same recognition, as a matter of course, the amount due on the note will be lessened by \$84,000.00. The claim, therefore, which appears in applicant's statement as a note payable due Home Gas & Electric Company of Redlands for \$112,946.09 may be re-classified into:

Bonds	\$84,000.00
Notes Payable	28,946.09

We may, therefore, deduct from the \$545,196.54, the sum of \$84,000.00, leaving \$461,196.54, in claims after the recognition of the underlying obligations in the sum of \$351,200.00

Among these claims aggregating \$461,196.54 appears unpaid interest on bonds and notes in the total amount of \$58,189.91. This item represents the accumulation of unpaid interest mainly during bankruptcy. The payment of this item of defaulted interest by bonds would mean the capitalization of bankruptcy. This is not sound in principle. It is based on a theory which places a higher valuation on failure than success. I can see no reason why the defaulted interest of the bankrupt's bonds should be heaped upon the shoulders of the newly organized Citrus Belt Gas Company. In fact, I find every reason why it should not. The elimination of this interest item from the various claims aggregating \$461,196.54 leave a balance of \$403,006.63, which represents the remaining claims which the applicant desires to take care of.

Even if a maximum value for these gas properties in the amount of \$550,000.00 were conceded, there would remain an equity of only \$198,800.00 above the underlying obligations of \$351,200.00. If we assume a value of \$510,000.00 for these properties there is left an equity of only \$158,800.00 over the underlying indebtedness. Taking for the moment the larger sum, the applicant is confronted with this condition: At most, it can show an equity in the properties above its underlying indebtedness of \$198,800.00 with which to satisfy the holders of the claims to the total of \$403,006.63. On this valuation the ratio is about one to two.

In this connection I desire to call attention once more, to the earning statement filed by the trustee covering the operations of these gas properties during the calendar year 1912. This statement shows a net income of \$44,620.33. Applicant has cited this figure as representing its net earnings applicable to bond interest. It has neglected to charge off depreciation which, if figured at 4 per cent on \$500,000 of property, would amount approximately to \$20,000, and would leave a balance of \$24,620.33 as applicable to bond interest. The interest on the underlying bonds in the sum of \$267,200.00 amounts annually to \$14,997.00 and the interest on the underlying obligation of \$84,000.00 as represented by collateral bonds of Home Gas & Electric Company of Redlands, at 6 per cent amounts to \$5,040.00, making the total bond interest \$20,037.00. This sum deducted from \$24,620.33 of net income would leave a surplus after the payment of the bond interest of \$4,583.33. This result indicates that it would be neither wise nor entirely practical at this time to add in any substantial degree to the underlying burden already established. The sum of \$4,583.33 represents only a small surplus which will provide merely a portion of the money necessary for the upbuilding year by year of these properties.

The claims included in the total of \$403,006.63 for which no provision has yet been made, are grouped into the following classes:

Claims representing the bonds of the bankrupt

San Bernardino Valley Gas Company.....	\$187,000.00
Promissory notes of the bankrupt San Bernardino Valley Gas Company se- cured by its bonds.....	201,866.09
Accounts payable.....	14,140.54
Total-----	<u>\$403,006.63</u>

From the summary of the proposed plan of reorganization and from the modifications thereof, herein, it appears that the applicant desires that nearly all of the claims representing this sum be considered on a parity. It is not for the Commission to say, therefore, that it shall make any distinction under the present circumstances.

The plan of reorganization, as presented originally, recognized the priority of two claims which appear among those comprising the total of \$403,006.63. These are the claims of E. B. Duncan and E. C. Dillon. The principal of each is \$10,000.00. The plan, as first framed, provided for the payment of these as follows:

"The Duncan Judgment in full in cash."

"The prior claim of E. C. Dillon upon such terms as may be approved by the Committee."

Subsequently, by special arrangement, it was provided that Duncan and Dillon should accept income bonds and stock of Citrus Belt Gas Company in satisfaction of their claims. They were thus placed on an equal footing with other claimants.

Obviously the value of the property is such that financial prudence will not permit any further bonding of these properties in large amount to take care of these assembled claims in excess of \$400,000.00. This equity, represented by these claims, should be distributed either in the form of stock, or pooled, and placed under the control of trustees. As a matter of fact the applicant herein has already made arrangements to pool such stock as the Commission may authorize, and to that end a committee to handle this trust has been created. This Committee is composed of the following men:

- B. S. MOULTON, Riverside, California,
For the First National Bank of Riverside,
The Riverside Savings Bank & Trust Company, and others.
- F. P. MORRISON, Redlands, California,
For the First National Bank of Redlands, and others.
- E. D. ROBERTS, San Bernardino, California,
For the San Bernardino National Bank,
Farmers' Exchange National Bank,
First National Bank of Colton, and others.
- G. E. SWIDECOR, Corona, California,
For the First National Bank of Corona,
Citizens' Bank of Corona, and others.
- L. C. NEWCOMER, Colton, California,
For the Colton National Bank, and others.
- A. GREGORY, Redlands, California,
For the Home Gas & Electric Company, of Redlands.
- A. M. HALL and Z. T. BELL, San Bernardino, California,
For the Home Gas & Lighting Company of San Bernardino.

It further appears that it is the expressed intention of Citrus Belt Gas Company that the property should be managed in trust until such time as it could be sold at reasonable advantage. It appears from the testimony of Mr. Moulton, and from the statements of Mr. H. L. Carnahan, attorney for Citrus Belt Gas Company, that the parties in interest would consider favorably an arrangement by which the stock were pooled for a period of 10 years, and it appears further that the representatives of Citrus Belt Gas Company have expressed their approval of an arrangement which might provide for the pooling of such income bonds as the Commission may authorize.

The parties holding these claims of \$403,006.63, are entitled to an equity in these gas properties over the underlying indebtedness of \$351,200.00. That equity could not be increased or decreased by the mere act of issuing securities. The value of this equity for the purposes of sale can best be demonstrated after a period of efficient and economical management of the gas properties. After such a demonstration of value, if the parties in interest carry out

their intention of selling the properties, they will have available a tangible sum for distribution among themselves. I cannot see that any rights which the holders of these claims possess can in any way be jeopardized or lessened by their retention at this time in the form of stock or a pro rata participation in that equity. It is in evidence before the Commission that Mr. Moulton, president of Citrus Belt Gas Company, and Mr. Carnahan, its attorney, expressed the belief that the interests of all claimants could be properly protected and conserved by pooling such stock and bonds to which they might be entitled. To pool such stock and such bonds is merely to pool the complete interest in the equity.

I believe it would be to the advantage of Citrus Belt Gas Company to dispose of the smaller claims among the "Accounts Payable" in some other way, which would leave the equity in the property to be divided among those whose claims are \$500.00 or more. I leave this to the discretion of the applicant itself, with the understanding that it shall determine the basis of payment and submit any plan it may formulate for the discharge of these small obligations to the Commission for its approval. For this purpose I believe the sum of \$5,000.00 entirely adequate.

I am mindful that the modifications of applicant's plan of reorganization, as herein provided, may require for its consummation and for the preservation of the equities, certain payments upon obligations incurred or upon claims outstanding. I find that a sum not exceeding \$20,000.00 will suffice for this purpose.

I am of the opinion that a proper and satisfactory reorganization of these properties under the ownership of Citrus Belt Gas Company will require, first, that it assume the indebtedness represented by the underlying bonds in the sum of \$267,200.00; second, that it assume the indebtedness represented by the \$84,000.00 of Home Gas and Electric Company collateral bonds; third, that it issue promissory notes to make payments upon obligations incurred or upon

claims outstanding in a sum not to exceed \$20,000.00, and to discharge the smaller claims among the "Accounts Payable" in a sum not to exceed \$5,000.00, making a total of \$25,000.00 of such promissory notes; and fourth, that it issue its shares of stock to such other claimants as may be entitled to share in the property.

As previously indicated the earnings of these gas properties were sufficient in 1912, after making proper allowance for all necessary operating expenses, depreciation, and interest on \$267,200.00 of underlying bonds and on additional obligations of \$84,000.00, to show a surplus of \$4,583.33

Additional obligations of \$25,000.00 would, at 6 per cent, impose a further interest charge of \$1,500.00, leaving a balance of \$3,083.33. The properties at this time can carry no more than this with a proper degree of safety.

A maximum issue of bonds and notes, as provided herein, would create an indebtedness of \$376,200.00 or 73 per cent upon a valuation of \$510,000.00 and 68 per cent upon a valuation of \$550,000.00 for the gas properties.

I find the value of the equity in these properties, above the underlying bonds in the amount of \$351,200.00 to be assumed by Citrus Belt Gas Company, to lie between \$158,800.00 and \$198,800.00. As the amount of the outstanding claims as found herein amounts to \$405,006.63, I believe the conclusion inevitable that there is available for the settlement of those claims not over fifty cents on the dollar. In reaching these figures I am not presuming to fix an exact valuation, but have endeavored merely to indicate a basis upon which an issue of stock may be authorized. The Commission has not authorized an issue of stock at less than 80 per cent of its par value. In view of the fact that no organization expenses or bond discount

appear herein, and in consideration also of the fact that net earnings have been made available for additions and betterments, I recommend that Citrus Belt Gas Company be authorized to issue its stock to the par value of \$200,000.00.

I find after a review of the facts presented in this application, that authority should be granted as to that portion providing for the sale of the properties by Mr. P. J. Dubbell to Citrus Belt Gas Company. As to that portion of the application which petitions for authority to issue stock, bonds and notes, I find that it should be granted in some particulars and denied as to others, and to that end I submit the following form of order.

ORDER

P. J. Dubbell and Citrus Belt Gas Company having made application to this Commission for an order authorizing the sale by P. J. Dubbell and the purchase by Citrus Belt Gas Company of gas properties now held in the name of P. J. Dubbell and comprising two gas plants in Redlands, one gas plant in San Bernardino, one gas plant in Corona and one gas plant in Colton; and application having been made to this Commission by Citrus Belt Gas Company for authority to issue to P. J. Dubbell in exchange for said properties \$444,400.00 in stock, \$444,400.00 in 5 per cent. cumulative income bonds dated September 1, 1912, and due September 1, 1942; \$84,000.00 of 6 per cent. promissory notes, due serially from March 1, 1917 to March 1, 1922; a promissory note for \$7,000.00 due in one year, with 6 per cent interest; a promissory note for \$7,000.00 due in two years, with 6 per cent interest; \$2,796.54 in promissory notes, due in five years, with interest at 5 per cent; and \$98,000.00 of 5 per cent cumulative income bonds, dated September 1, 1912 and due September 1, 1942 for purpose of collateral security:

And a hearing having been held, and it appearing that the public interest will be served by the sale of these properties:

IT IS HEREBY ORDERED that P. J. Dubbell be and he is hereby authorized to sell to Citrus Belt Gas Company those gas plants now held in his name, comprising two gas plants in Redlands, one gas plant in San Bernardino, one gas plant in Corona, and one gas plant in Colton; and Citrus Belt Gas Company is hereby authorized to purchase said properties;

And it appearing that in purchasing these properties Citrus Belt Gas Company must acquire them subject to certain mortgage indebtedness;

IT IS HEREBY ORDERED that Citrus Belt Gas Company be authorized and it is hereby authorized to purchase said properties subject to such mortgages and to assume said mortgage indebtedness in the sum of \$267,200.00 represented by outstanding bonds as follows:

Bonds of Home Gas & Lighting Company of San Bernardino, provided for in a trust deed to W. S. Hooper, dated March 30, 1906.....\$40,000.00

Bonds of Home Gas & Electric Company of Redlands, said bonds being provided for in a trust deed made by Home Gas & Electric Company of Redlands to the Title Insurance and Trust Company of Los Angeles, dated July 1, 1906... ..113,700.00

Bonds of Redlands Gas Company, said bonds being provided for in a trust deed to Union Trust Company of San Francisco..... 50,000.00

Bonds of Redlands Gas Company, said bonds being provided for in a trust deed to Union Trust Company of San Francisco, dated May 1, 1903..... 48,500.00

Bonds of Colton Gas Company, said bonds being provided for in a trust deed to Los Angeles Trust & Savings Bank..... 15,000.00

Making a total of- - - - - \$267,200.00

And it appearing that in purchasing these properties, Citrus Belt Gas Company must acquire them subject also to an indebtedness of \$84,000.00, represented by \$84,000.00 of collateral bonds of Home Gas and Electric Company of Redlands previously

issued for purposes of collateral security and provided for in a trust deed made by Home Gas and Electric Company of Redlands to the Title Insurance and Trust Company of Los Angeles, dated July 1, 1906, said \$84,000.00 of bonds being in addition to the aforesaid \$115,700.00 of bonds of Home Gas and Electric Company of Redlands;

IT IS HEREBY ORDERED that Citrus Belt Gas Company be authorized, and it is hereby authorized to purchase said properties subject to such indebtedness and to assume said mortgage indebtedness in the amount of \$84,000.00.

Underlying bonds of all kinds to be assumed by Citrus Belt Gas Company under this order herein, shall amount to a total of \$351,200.00.

And it appearing that the public interest will be best served by authorizing Citrus Belt Gas Company to issue certain securities not properly chargeable to operating expenses or to income, and denying it authority to issue other securities as applied for:

IT IS HEREBY ORDERED that Citrus Belt Gas Company be authorized and it is hereby authorized to issue \$25,000.00 face value of notes in a form to be approved by this Commission. The authority hereby given Citrus Belt Gas Company to issue \$25,000.00 face value of notes, is given subject to the following conditions:

1. Said \$25,000.00 in notes shall be issued for a period not to exceed five years, at an interest rate not to exceed 7 per cent, and shall net Citrus Belt Gas Company the face value thereof.

2. The proceeds from said notes shall be used for the following purposes only:

(a) To make payments upon obligations incurred or upon claims outstanding..... \$ 20,000.00

(b) To pay small claims among "Accounts Payable" on a basis to be approved by this Commission..... \$ 5,000.00

3. Said obligations, claims outstanding and "Accounts Payable" shall be paid only after a list of such obligations, claims outstanding and "Accounts Payable" which Citrus Belt Gas Company desires to pay shall have been filed with and approved

by this Commission.

4. Said notes shall be issued only after Citrus Belt Gas Company shall have filed with this Commission a stipulation that all moneys received from the sale of the stock, bonds, and notes of Lytle Creek Power Company held by Citrus Belt Gas Company shall be invested by said Citrus Belt Gas Company in additions and betterments to its property.

It appearing further that Citrus Belt Gas Company should be authorized to issue stock for the equity in its properties above the indebtedness:

IT IS HEREBY ORDERED that Citrus Belt Gas Company be authorized and it is hereby authorized to issue not to exceed 2,000 shares of its capital stock of the par value of \$100.00 per share.

Said stock shall be issued upon the following conditions, and not otherwise:

1. From the following list of claims shall be deducted and removed those which shall have been discharged or eliminated as otherwise herein provided. To the persons, firms or corporations whose names shall thereafter remain upon the list there shall be issued one share of stock of Citrus Belt Gas Company of the par value of \$100.00 for every \$200.00 of such claim as it may appear on said list.

<u>Name of Claimant</u>	<u>Amount</u>
Home Gas & Electric Company of Redlands.....	\$23,946.09
Home Gas & Lighting Company of San Bernardino.....	75,000.00
First National Bank of Riverside.....	36,000.00
Farmers Exchange National Bank of San Bernardino.....	26,500.00
C. M. Grisinger, Colton.....	25,000.00
Colton National Bank.....	18,500.00
Riverside Savings Bank & Trust Company.....	15,000.00
Merchants National Bank, San Francisco.....	15,000.00
San Bernardino National Bank.....	15,000.00
Citizens Bank of Corona.....	11,500.00
All Night & Day Bank of Los Angeles.....	11,000.00
H. B. Duncan.....	10,000.00
First National Bank, Redlands.....	10,000.00
First National Bank, Los Angeles.....	10,000.00
H. C. Dillon Co.	10,000.00

Carried forward---- \$317,446.09

Amount forward----- \$317,446.03

F. B. Hathaway.....	\$ 8,000.00
C. D. Bronneman.....	6,000.00
George Brown.....	5,000.00
W. H. Miller.....	4,920.00
Peter Provencal.....	5,000.00
Bronneman Estate.....	5,000.00
First National Bank, Colton.....	5,000.00
W. A. Manson.....	3,002.00
C. L. Allison.....	3,000.00
D. E. Kathan.....	3,000.00
W. C. Barth.....	3,000.00
First National Bank, Corona.....	2,500.00
Snidcor & Mueller.....	2,500.00
L. C. Newcomer.....	2,500.00
Mary Rose Dukes.....	2,500.00
Platt Sisters.....	2,000.00
E. A. McGillivry.....	2,000.00
C. E. Vahey.....	2,000.00
H. R. Boynton.....	1,000.00
A. A. Caldwell.....	1,500.00
Mary S. Sargent.....	1,000.00
A. G. Hubbard.....	500.00
Citizens National Bank, Redlands.....	500.00
W. H. Swan & R. C. Harbison.....	1,623.70
Colton Hardware Co.....	3,268.42
Chas. F. Stamps Jr.....	252.45
Smith-Booth-Usher Co.....	454.89
American Stove Co.....	443.05
W. F. Boardman.....	314.53
Murphy Oil Company.....	2,475.79
F. R. Kellogg & Co.....	3,617.46
Home Investment Co.....	371.00
Bungalow Apartment Co.....	72.50
Daniel Lord.....	10.00
R. G. Willett.....	27.95
City Paper & Paint Co.....	.95
G. Johnson.....	.75
Smith Bros.....	1.05
Towne, Seecombe & Allison.....	.75
R. W. McOillivray.....	.50
Roy Edwards.....	1.50
James Campbell.....	1.50
Norman Reeves.....	2.30
Corona Truck & Transfer Co.....	2.50
F. E. Ott.....	.25
Harry York.....	18.00
Colton Machine Shop.....	1.75
J. M. Moore & Co.....	9.15
Sun Drug Company.....	.75
Redlands News & Stationary Co.....	2.00
Redlands Cement Works.....	.85
Redlands Pharmacy.....	1.60
Cline & Underwood.....	2.52
Kennard & Howland.....	3.00
Sanitary Laundry Co.....	.75
J. P. Humphrey.....	2.30
L. Sherrard.....	5.25
Gowland Bros.....	3.00
City Transfer Company.....	34.03
Heap & Heap.....	.45

Carried forward - - \$402,007.23

Carried forward - - - \$402,007.23

E. S. Moulton.....	9.95
James Reed.....	7.00
Redlands Hardware & Stove Company.....	21.95
Geo. M. Cooley Co.....	1.25
City Street Department, San Bernardino.....	1.50
Sparr & Hunchaw.....	.25
Z. T. Bell.....	31.40
Leonard & Sarr.....	75.00
E. Mills Suess.....	16.00
Glass Bros.....	1.15
San Bernardino Daily Sun.....	51.75
Review Publishing Company.....	20.00
Corona Gas & Electric Co.....	8.52
San Bernardino Hardware Co.....	1.25
Corona Hardware & Imp. Co.....	9.64
Osburn Iron Works.....	3.68
Hanford Iron Works.....	35.56
W. F. Secrest.....	8.00
Mueller Mfg. Co.....	320.76
A. M. Eam.....	18.80
Corona City Water Co.....	5.80
C. E. LeRoy.....	4.75
General Gas Lighting Co.....	18.25
Western Light & Fixture Co.....	12.35
Hulbert Planing Mill.....	32.50
E. M. Cope Commercial Co.....	211.34
John Flagg.....	71.00

Grand Total- - - - - \$403,006.63

2. Such fractions of \$200.00 as shall thereafter remain shall be discharged on a basis not exceeding fifty cents on the dollar from moneys received from the sale at not less than \$80.00 per share of as many shares of stock as may be necessary for such purpose or in such other way as said Citrus Belt Gas Company shall elect and which shall be approved by this Commission.

3. Said stock shall be issued only after Citrus Belt Gas Company shall have filed with this Commission a stipulation that all moneys received from the sale of the stock, bonds, and notes of Lytle Creek Power Company held by Citrus Belt Gas Company shall be invested by said Citrus Belt Gas Company in additions and betterments to its property.

4. Citrus Belt Gas Company shall within ninety days file with this Commission a statement which shall show the number of shares of stock it proposes to issue to each person, firm or corporation under this order and the basis upon which it proposes to pay the fractions of \$200.00 as provided in Condition Number 2.

in that portion of this order authorizing the issue of stock.

Citrus Belt Gas Company shall not issue any of the notes or stock herein authorized until it shall have obtained a further order from this Commission stating that it has complied with the conditions herein set out.

The authorization herein given shall apply only to such notes and stock as shall have been issued before January 1, 1914.

That part of the application of Citrus Belt Gas Company which asks for an order of this Commission authorizing it to issue a promissory note for one year in the sum of \$7,000.00 is hereby dismissed, for the reason that applicant does not legally require the sanction of this Commission to issue a promissory note for a period not exceeding one year.

That part of the application of Citrus Belt Gas Company in which it asks for authority of this Commission to issue \$444,400.00 of stock; \$444,400.00 of 5 per cent cumulative income bonds, dated September 1, 1912, and due September 1, 1942; a promissory note for \$7,000.00 for two years, with interest at 6 per cent; promissory notes to the amount of \$2,796.54, due in five years, with interest at 5 per cent; and \$98,000.00 of 5 per cent cumulative income bonds dated September 1, 1912 and due September 1, 1942 for purposes of collateral security, is hereby denied.

Nothing in this opinion or order shall be prejudicial to the right of the holders of such stock as may be issued by Citrus Belt Gas Company, to pool such stock herein authorized in such a manner that it may be held by a committee of trustees selected by the holders of said stock. In case such stock is pooled, the trustees so selected shall issue to the owners of the stock so pooled, certificates which shall show the amount of stock and the par value thereof held in trust for every owner thereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 28th day of April, 1913.

John M. Washburn
Geo. Gordon
Max Thelma
Edwin J. Edgerton
Commissioners.