

RM

ORIGINAL

Decision No. 6725

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of JOSEPH M. BERKLEY for a preliminary order authorizing the acquisition of gas plants in the cities of Beaumont and Banning, and the issuance of certain securities.

Application No. 4951.

Gibson, Dunn & Crutcher, by H.F. Prince, for applicant.  
Frank L. Miller, for cities of Beaumont and Banning.

BRUNDIGE, Commissioner.

O P I N I O N

This application involves the reconstruction and refinancing of the properties formerly owned by Riverside County Gas and Power Company. The company defaulted in interest payment and as a result its properties have been acquired by the Union National Bank of Pasadena at foreclosure sale.

Joseph M. Berkley, consulting engineer, has entered into an agreement, Applicant's Exhibit No. "3", with the bank looking toward the reconstruction and operation of the properties. The agreement provides that he shall cause to be organized a new corporation, to be known as Twin Cities Gas Company, with an authorized

stock issue of \$25,000.00 and a \$42,500.00 20-year 6 per cent bond issue. The stock and \$15,000.00 of bonds shall be delivered to the bank in exchange for the properties. The remaining \$27,500.00 of bonds will be purchased by the bank at 90% and the proceeds used to rebuild and rehabilitate the plant. Riverside County Gas and Power Company has formerly owned and operated gas plants in the cities of Banning and Beaumont.

In Exhibit No. "1" Joseph M. Berkley, applicant, reports the historical cost of the properties as they now exist at \$53,354.87 and the historical cost of the properties which would be used or useful by the new company in case the plant is reconstructed along the lines indicated in the exhibits filed herein at \$36,138.32. In arriving at the \$36,138.32, applicant testified that he had excluded all properties which it appeared would have to be replaced or would be abandoned in connection with the reconstruction of the plant. It is his intention to construct an entirely new distributing system at Banning, abandoning the present system and also a considerable portion of the capital included under "gas meters", leaving of the value of useful property, only the cost of meters. After an examination of the properties, the Gas and Electric Division of the Commission's Engineering Department, concludes that the properties are in an approximate 70 per cent condition. The Gas and Electric Division also finds the historical cost of the properties as reported by Joseph M. Berkley to be reasonable.

In Exhibit No. "2", applicant estimates that it will require \$23,841.09 to put the gas system in Banning and Beaumont in good operation condition. The Commission's Gas and Electric Division reports that practically all of the proposed work appears to be necessary if the plant is to be put in a first class condition

which it should be if service is to be rendered to the public.

Applicant in Exhibit No. "2" also estimates the annual operating revenues and expenses as follows:-

Operating Revenues .....	\$17,280.00
Operating Expenses and other disbursements:	
Operation and maintenance of plant .....	\$10,880.00
Taxes .....	1,080.00
Depreciation .....	1,275.00
Allowance for uncollectible bills .....	90.00
Bond interest .....	2,550.00
Total .....	<u>\$15,875.00</u>
Balance .....	\$ 1,405.00

The estimated revenues are based upon a total sale of 7,700,000 cubic feet of gas at the following rates:-

Domestic:

First	600 Cu. Ft. or less	\$1.50
Next	2,400 Cu. Ft.	2.20 per M. ft.
Next	7,000 Cu. Ft.	2.10 per M. ft.
Over	10,000 Cu. Ft.	1.80 per M. ft.
Minimum monthly bill		\$1.50
Prompt payment Discount if paid before 10th. of month		.10 per M. ft.

It will be noticed that the rate proposed by J. M. Berkley allows no discount for the prompt payment of a minimum bill. The Gas and Electric Division of the Commission's Engineering Department believes that such discount should be allowed and suggests the following rate schedule:-

	<u>Gross</u>	<u>Net</u>
First 500 Cu. Ft. or less per meter per month	\$1.50	\$1.40
Next 2,500 Cu. Ft. per meter per mo.	2.20	2.10 per M.Cu.Ft.
Next 7,000 Cu.Ft. per meter per mo.	2.10	2.00 per M.Cu.Ft.
All over 10,000 Cu.Ft. per meter per mo.		1.70 per M.Cu.Ft.
<u>Prompt Payment Discount:</u>		

The net rate above is applicable in case the bill is paid on or before 10 days following date of presentation. In case bill is not paid with the 10 day period the gross rate is applicable.

It will be noticed that the rate schedule suggested by the Gas and Electric Division of the Commission's Engineering Department varies only from that suggested by Mr. Berkley in allowing a discount on the minimum bill and making the initial rate applicable to 500 cubic feet instead of 600 cubic feet. It appears from the record that representatives of the Chamber of Commerce have obtained written applications for service from 350 consumers at rates to be fixed by the Commission. The Commission is of the opinion that the rates suggested by Mr. Berkley, as modified by the Gas and Electric Division of the Commission's Engineering Department of the Commission should be collected for a reasonable time to demonstrate the effect of the experimental rates.

There is no doubt but that it is to the public interest that the gas plant be placed in a first class condition. The testimony shows that there is a real desire on the part of the public to have the utility resume operations. To that end, I believe that it is proper to authorize the refinancing of the properties along the lines indicated in applicant's Exhibit No. "3" and their reconstruction as outlined in applicant's Exhibit No. "2". The final order authorizing the issue of stocks and bonds must necessarily be held in abeyance until a corporation has been formed and the necessary papers, articles of incorporation, trust deed and franchises, upon which an order can be predicated, filed with the Commission.

I herewith submit the following preliminary Order:-

#### O R D E R

JOSEPH M. BERKLEY having applied to the Railroad Commission for a preliminary order authorizing the conveyance of a gas plant located in the cities of Beaumont and Banning and the issue of securities, a public hearing having been held and the Commission

being of the opinion that the conveyance of the properties and the issue of stocks and bonds by a corporation to be hereafter organized as outlined in applicant's Exhibit No. "3", is in the public interest.

IT IS HEREBY ORDERED that Union National Bank of Pasadena be, and it is hereby, granted authority to convey all the properties referred to in the petition herein and in exhibits filed at the hearing to a corporation to be hereafter organized and said corporation, when organized, is hereby authorized to acquire said properties and to issue in payment therefor, and for such other purposes as the Railroad Commission may authorize, \$25,000.00 par value of common capital stock and \$42,500.00 face value of 20-year 6 per cent bonds, provided that this order will not become effective until there has been filed with the Commission for approval, a verified copy of the articles of incorporation, copies of the franchises obtained from the cities of Beaumont and Banning, copy of the proposed deed of trust securing the \$42,500.00 of bonds, and a supplemental order or orders authorizing the corporation to be hereafter organized to issue \$25,000.00 of stock and \$42,500.00 of 20-year 6 per cent bonds, approving the proposed mortgage and declaring that public convenience and necessity require the exercise of the franchise rights and privileges obtained from the cities of Beaumont and Banning, made.

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.

*October*  
~~September~~, 1919. Dated at San Francisco, California, this 2nd day of

*Edwin C. Edgerton*  
*H. J. Loveland*  
*Frank R. Brown*  
*H. B. Bunnick*

Commissioners.