

Decision No. 30256

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
FONTANA POWER COMPANY
for a certificate of public convenience and necessity for permission to issue stock and bonds and to mortgage property to secure said bonds, and for permission to enter into a certain indenture of lease.

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY,
a corporation, for authority to enter into a certain indenture of lease and to enter into a certain contract for the sale of power.

In the Matter of the Application of
RIALTO DOMESTIC WATER COMPANY,
a corporation, to enter into a certain contract for the purchase of power.

ORIGINAL

Application No. 2245

BY THE COMMISSION:

FOURTH SUPPLEMENTAL ORDER

By Decision No. 4376 dated June 6, 1917 the Commission authorized Fontana Power Company to enter into a contract with Fontana Company and Fontana Union Water Company substantially in the form of the contract filed with the Commission on February 23, 1917 and marked Exhibit 11. The said contract contains the following clause:-

"The party of the second part(Fontana Power Company)further agrees, pending the fixing of the value of the properties so to be conveyed, and the payment of the remainder of the purchase price thereof, as aforesaid, to pay to said Fontana Company and Fontana Union Water Company, one half to each, all profits realized from the business of the party of the second part after paying all its operating expenses(including depreciation), taxes, interest, all obligations which it may incur or for which it may become responsible, and dividends of not exceeding 8% per annum upon its outstanding capital stock."

Under the authority granted by Decision No. 3373 dated October 10, 1916, as amended, Fontana Power Company issued \$10,000. par value

of its common capital stock and \$350,000. of its first mortgage 6% serial bonds. Of such bonds there are now outstanding \$210,000. maturing as follows:-

February 1, 1938	\$14,000.
February 1, 1937	15,000.
February 1, 1940	16,000.
February 1, 1941	17,000.
February 1, 1942	17,000.
February 1, 1943	18,000.
February 1, 1944	20,000.
February 1, 1945	21,000.
February 1, 1946	22,000.
February 1, 1947	50,000.
Total.....	<u>\$210,000.</u>

It appears that the parties have heretofore construed the agreement of February 23, 1917 as authorizing Fontana Power Company to retain a sufficient amount of its profits to enable it to pay its maturing bonds and amortize some of its bond discount and expense. The Fontana Power Company now asks the Commission to confirm its construction of the agreement of February 23, 1917. An agreement dated January 1, 1937 containing such construction was filed on September 18, 1937. This agreement, approved by Fontana Power Company and Fontana Union Water Company, successor in interest to Fontana Company, provides that the rental which the Fontana Power Company shall pay shall be determined and paid annually for each calendar year. In determining such rental for the year 1937 and for each year thereafter, there shall be allowed and deducted from Fontana Power Company's gross receipts (in addition to any other items properly deductible or allowable), whatever amounts Fontana Power Company shall require for payment, either currently or as a reserve for future payment of principal of its bonds, including any refunding or renewal or extension thereof, or any part thereof; provided, the amount so allowed or deducted during any year shall not exceed the principal maturities during that year, nor shall the total amount so allowed or deducted exceed \$210,000.

The agreement makes provision for the amortization of bond discount and expense. At the time the company sold its bonds, it incurred bond discount and expense in the amount of \$23,545.80. Up to 1932 none of the bond discount and expense was amortized. Beginning with 1932 and since then the company has annually set aside \$1,569.72 of its income to amortize its bond discount and expense. The money appropriated for such purpose was used to redeem bonds. There now remains \$15,697.20 of bond discount and expense to be written off. Of this sum the company proposes to write off \$7,672.10 in 1937 and set it aside as a reserve to redeem bonds. The remainder of the bond discount and expense amounting to \$8,025. would, during the next ten years, be written off at the rate of \$802.50 per annum. These appropriations would likewise be used to redeem bonds.

We have considered the agreement which Fontana Power Company has filed with the Commission on September 18, 1937 and believe that such agreement places a proper construction upon the Commission's Decision No. 4376, dated June 6, 1917, and that the execution of said agreement should be authorized by the Commission, subject to the condition that moneys appropriated to write off bond discount and expense be used to redeem bonds, therefore,

IT IS HEREBY ORDERED that Fontana Power Company be, and it is hereby, authorized to execute an agreement with Fontana Union Water Company similar in terms to the agreement of January 1, 1937 filed in this proceeding on September 18, 1937, provided that the moneys appropriated to write off bond discount and expense be used to redeem

bonds.

DATED at San Francisco, California, this 25th day of
October, 1937.

William H. ...
John ...
George ...
Robert ...
De ...
Commissioners