

Decision No. / 3384

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 WESTERN STATES GAS AND ELECTRIC COMPANY,)
 a corporation, for an order authorizing)
 the issue and sale of its preferred) Application Number 9864
 stock of the par value of \$750,000.00.)

Chickering and Gregory,
 by W. C. Fox, for Applicant.

ORIGINAL

BY THE COMMISSION:

OPINION

In this application, as amended, Western States Gas and Electric Company asks permission to issue and sell at par, \$750,000.00 of its seven percent. cumulative preferred stock for the purpose of financing in part the cost of additions and betterments installed prior to December 31, 1923, of financing in part the cost of additions and betterments installed or to be installed during 1924, and refunding in part sinking fund payments to be made during 1924.

Western States Gas and Electric Company has an authorized capital stock of \$15,000,000.00, divided into \$5,000,000.00 of common stock and \$10,000,000.00 of seven percent. cumulative preferred stock. As of February 29, 1924, the company reports \$3,981,500.00 of the common and \$3,648,000.00 of the preferred stock outstanding. As of the same date it reports its bonded and other indebtedness as follows:-

BONDED INDEBTEDNESS:

First mortgage 5 percent. bonds \$4,012,500.00
 First and unified 6 percent. bonds 8,000,000.00
 15-year 6 percent. gold notes 5,000,000.00

TOTAL.....

\$17,012,500.00

OTHER INDEBTEDNESS:

Notes payable \$ 572,863.02
 Accounts payable 278,355.73
 Due affiliated companies 157,545.13
 Consumers' deposits 34,350.69
 Consumers' advances 41,776.41
 Accruals 359,974.85

TOTAL.....

1,444,865.83

TOTAL INDEBTEDNESS.....

\$18,457,365.83

In reports filed under the Commission's General Order Number 65 the company shows revenues and expenses for the twelve months ending February 28, 1923 and February 29, 1924, as follows:-

<u>ITEM</u>	<u>1923</u>	<u>1924</u>
<u>OPERATING REVENUES</u>		
Electric.....	\$2,201,534.21	\$2,478,910.58
Gas	<u>530,047.10</u>	<u>573,929.91</u>
Total revenues.....	<u>2,731,581.31</u>	<u>3,052,840.49</u>
<u>OPERATING EXPENSES</u>		
Electric	1,413,974.97	1,561,421.27
Gas	<u>360,122.70</u>	<u>366,725.27</u>
Total expenses	<u>1,774,097.67</u>	<u>1,928,146.54</u>
<u>NET OPERATING REVENUES</u>		
Electric	787,559.24	917,489.31
Gas	<u>169,924.40</u>	<u>207,204.64</u>
Total net operating revenues	<u>957,483.64</u>	<u>1,124,693.95</u>
<u>DEDUCT</u>		
Bond interest	215,736.04	221,955.77
Other interest	287,393.36	314,932.92
Amortization	91,563.76	79,430.14
Depreciation	<u>111,666.00</u>	<u>130,000.00</u>
Total deductions	<u>706,359.16</u>	<u>746,318.83</u>
Balance	251,124.48	378,375.12
Dividends	<u>288,735.28</u>	<u>256,912.18</u>
Surplus for Year	<u>\$ 37,610.80*</u>	<u>121,462.94</u>

*Deficit

Prior to January, 1924, the interest on the outstanding first and unified mortgage bonds, which at present aggregate \$8,000,000.00, was charged to capital account, as the proceeds from the sale of such bonds were being used to finance the cost of constructing applicant's El Dorado project. It appears that this project was placed into service during the early part of this year, so that hereafter the interest on the \$8,000,000.00 of first and unified bonds should be charged to income account. In this connection Samuel Kahn, applicant's vice president and general manager, testified that in his opinion, the company's net earnings should be sufficient to take care of its increased fixed charges.

In its third supplemental petition filed in Application Number 8568, the company reported its uncapitalized construction expenditures, as of December 31, 1923 as \$1,102,308.15. In this application it reports its estimated expenditures for 1924 as \$1,317,272.00, segregated as follows:--

ITEM	STOCKTON	RICHMOND	EUREKA	TOTAL
ELECTRIC				
Steam plants	\$ 1,000.	\$ -----	\$ 44,500.	\$ 45,500.
Hydro plants	1,000.	-	-	1,000.
Transmission system	32,015.	-	18,000.	50,015.
Distribution system	420,433.	49,887.	37,836.	508,156.
Substations	127,856.	3,403.	6,229.	137,488.
Street lighting	30,805.	1,988.	5,880.	38,673.
TOTAL.....	\$ 613,109.	55,278.	112,445.	780,832.
GAS				
Oil plants	179,236.	-	30,000.	209,236.
Natural gas plant	7,063.	-	-	7,063.
Transmission system	22,318.	-	-	22,318.
Distribution system	169,007.	-	7,000.	176,007.
TOTAL.....	\$ 377,624.	-	37,000.	414,624.
GENERAL				
Transportation	\$ 11,831.	2,783.	3,000.	17,614.
Office and Buildings	500.	3,993.	1,200.	5,693.
Office equipment	3,811.	3,364.	750.	7,925.
Miscellaneous	3,084.	-	2,500.	5,584.
Central Natural Gas Co.	85,000.	-	-	85,000.
TOTAL.....	\$ 104,226.	10,140.	7,450.	121,816.
GRAND TOTAL.....	\$1,094,959.	\$ 65,418.	\$156,895.	\$1,317,272.

Adding the \$1,317,272.00 to the reported uncapitalized balance on December 31, 1923 of \$1,102,308.15 results in a total of \$2,419,580.15. From this amount there should be deducted the sum of \$1,771,670.00, which applicant reports is the total amount which it will receive from the sale of securities heretofore authorized by the Commission and which will be used to finance the expenditures referred to herein. Making this deduction, there is left the sum of \$647,910.15 which, it appears, has not been provided for through the issue of stock or bonds.

In addition to the \$647,910.15 applicant reports that on June 1, 1924 it will be called upon to deliver approximately \$135,000.00 to the trustee under its first and refunding (now first) mortgage for sinking fund purposes, and that a like amount will be required for the same purposes on December 1, 1924, the total sinking fund payments for the year aggregating \$270,000.00.

In several former proceedings the Commission has authorized Western States Gas and Electric Company to use proceeds from the sale of stock to refund part of its sinking fund payments. For this purpose, however, the Commission has permitted applicant to issue only such an amount of stock on which the dividend at seven percent. would equal the interest on the bonds retired through the sinking fund. At this time the Commission is not advised how many of the company's bonds will be redeemed during 1924, through sinking fund payments. Not until the Commission is furnished with a statement showing the amount of bonds so redeemed, will the Commission authorize the use of proceeds from the sale of stock, to refund in part the company's sinking fund payments. The order herein will authorize the issue and sale of the stock and the use of the proceeds to finance the cost of additions and betterments or for such other purpose as the Commission may specify in supplemental orders.

While the company asks permission to issue and sell its stock at par, it also asks permission to use an amount of the proceeds not

exceeding six percent. of the par value of stock sold to pay commissions and other expenses incident to the sale of the stock.

ORDER

Western States Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell \$750,000.00 of its preferred stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Western States Gas and Electric Company be, and it is hereby, authorized to issue and sell at par for cash \$750,000.00 of its seven percent, cumulative preferred stock,

The authority herein granted is subject to further conditions as follows:-

1. Of the proceeds realized from the sale of the stock herein authorized, applicant may use, if necessary, an amount not exceeding six percent. of the par value of the stock herein sold to pay commissions and other expenses incident to the sale of the stock. The remaining proceeds and such portion of the six percent. not needed for commissions and selling expenses shall be used to finance in part the cost of the extensions, additions and betterments to which reference is made in the foregoing opinion, or for such other purposes as the Commission may authorize in supplemental orders.

2. Only such expenditures as are properly chargeable to capital account as defined by the Uniform Classification of Accounts prescribed or adopted by the Railroad Commission shall be financed with the proceeds from the sale of the stock herein authorized.
3. Western States Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
4. The authority herein granted will become effective upon the date hereof. No stock may be issued, sold or delivered subsequent to February 28, 1925.

DATED at San Francisco, California, this 7th day of April, 1924.

C. H. Sawyer
H. B. Brundage
Iving Martin

Commissioners.