

Decision No. 13687

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
 COAST COUNTIES GAS AND ELECTRIC COMPANY,  
 a corporation, for an order of the  
 Railroad Commission authorizing said  
 company to issue and sell 3,000 shares  
 of its first preferred capital stock at  
 not less than 86 per cent of the par value  
 thereof.

Application  
 Number  
 10,098

Leo H. Sasman, for Applicant.

BY THE COMMISSION :

O P I N I O N

In this application Coast Counties Gas and Electric Company asks permission to issue and sell, at not less than 86 per cent of par value, 3,000 shares of its first preferred stock of the aggregate par value of \$300,000.00. The company also asks permission to use an amount not exceeding 5 per cent of the par value of stock sold to pay commissions and other expenses incident to the sale of the stock and to use the remaining proceeds to reimburse its treasury and to finance the cost of additions and betterments to its plants and properties.

Coast Counties Gas and Electric Company, as shown in its third amended Articles of Incorporation, a copy of which is on file in this proceeding, has an authorized capital stock of \$4,000,000.00 divided into 40,000 shares of the par value of \$100.00 each, of which 20,000 shares are first preferred stock, 10,000 shares are second preferred stock and 10,000 shares are common stock. The first preferred stock is entitled to cumulative dividends at the rate of 6 per cent per annum before any dividends are paid on the second preferred or common stock and has a preference over the second pre-

ferred and common stock as to assets. The second preferred stock is entitled to cumulative dividends at the rate of 6 per cent per annum after cumulative dividends have been paid on the first preferred stock and before any dividends are paid on the common stock and is preferred as to assets before the common stock. The Articles provide that the first and second preferred stock shall not be subject to assessments. The application shows that during the last five years dividends have been paid on the first preferred stock at the rate of 6 per cent per annum. On the second preferred stock the company paid dividends at the rate of 3 per cent during 1923 and 1922 and at the rate of 2 per cent during 1921, but none during 1920 and 1919. No dividends have been paid on the common stock during the last five years.

On April 30, 1924 the company reported outstanding all of the authorized common and second preferred stock and \$952,500.00 of the first preferred stock. It reports that in addition, \$47,500.00 of first preferred stock has been subscribed but not issued. As of the same date the company reports its funded debt in the hands of the public as \$1,423,600, consisting of \$795,000.00 of Coast Counties Light and Power Company 5 per cent bonds due 1946, \$261,000.00 of Big Creek Light and Power Company 4 per cent bonds due 1947, \$232,600.00 of Contra Costa Gas Company 6 per cent bonds due 1954 and \$135,000.00 of San Benito Light and Power Company 6 per cent bonds due 1950.

In Application Number 9527, filed with the Commission on November 16, 1923, the company reported that prior to January 1, 1923 it had expended for additions and betterments to its electric and gas properties the sum of \$377,456.87 for which it had not been reimbursed with proceeds received from the sale of stock or bonds. By Decision Number 12905, dated December 6, 1923, in Application Number 9527, the company was authorized to issue and sell \$108,850.00 of its first preferred stock to finance the cost of additions and better-

ments. Pursuant to such authority it appears that the \$108,850.00 of stock was sold at a net price of \$92,166.85, which amount, deducted from the \$377,456.87 leaves a balance of \$285,290.02, which, according to applicant, represents uncapitalized construction expenditures up to December 31, 1922. It is now reported in this application that during the year 1923, the company expended \$320,936.64 for capital purposes. This amount is segregated as follows :-

#### Electric Department

Intangible capital . . . . .	\$ 63.40
Landed capital . . . . .	165.11
Production capital . . . . .	22,776.84
Transmission capital . . . . .	15,307.88
Distribution capital . . . . .	162,855.93
General . . . . .	<u>2,478.99</u>

Total Electric Department . . . . \$ 203,648.15

#### Gas Department

Intangible capital . . . . .	\$ 315.00
Landed capital . . . . .	478.68
Production capital . . . . .	71,356.39
Transmission capital . . . . .	5,605.49
Distribution capital . . . . .	43,773.42
General capital . . . . .	<u>19,20.</u>

Total Gas Department . . . . . \$ 121,548.18

Total . . . . . \$ 325,196.33

Less Retirements . . . . . 4,259.69

Total Expenditures . . . . . \$ 320,936.64

Adding the \$320,936.64 to the \$285,290.02 results in a total of \$606,226.66 which is reported to be the total amount expended up to December 31, 1923 in making additions and betterments for which the company has not been reimbursed by the sale of bonds, stock or securities of any kind.

The present application is made to finance in part the cost of these expenditures of \$606,226.66, and thereafter to pay in part the estimated cost of additions and betterments during 1924,

which estimated cost is reported at \$394,600.00. While the company asks permission to use of the proceeds from the sale of the stock an amount not exceeding 5 per cent of the par value of stock sold to pay commissions and selling expenses, it is of record that the stock will be sold as economically as possible and that only such portion of the 5 per cent as is necessary will be expended.

#### O R D E R

Coast Counties Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell 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 by 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 COAST COUNTIES GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue and sell, at not less than 86 per cent of par value, \$300,000.00 of its first preferred stock.

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

1. Of the proceeds received from the sale of the stock herein authorized, applicant may use an amount not exceeding 5 per cent of the par value of stock sold to pay commissions and other expenses incident to the sale of the stock. The remaining proceeds and such portion of the 5 per cent not needed to pay commissions and other expenses incident to the sale of the stock shall be used to reimburse the treasury and to finance in part the cost

of the additions and betterments made prior to December 31, 1923 and referred to in the foregoing opinion, provided that only such expenditures as are properly chargeable to capital account as defined by the Classifications of Accounts prescribed by the Railroad Commission, shall be financed with such proceeds.

2. Applicant shall keep such record of the issue, sale and delivery 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 Number 24, which order, in so far as applicable, is made a part of this order. At the time of filing the General Order Number 24 reports, applicant shall file a supplementary statement showing in detail the amounts expended for commissions and other expenses incident to the sale of the stock.
3. The authority herein granted shall become effective upon the date hereof. Under such authority no stock may be issued after June 30, 1925.

DATED at San Francisco, California, this 11<sup>th</sup> day of June, 1924.

*C. Seavey*  
*H. A. [unclear]*  
*E. [unclear]*

Commissioners.