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Decision No. 13969.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SACRAMENTO GAS COMPANY,)
 a corporation, for permission to sell)
 bonds of the par value of \$225,000.00) Application Number 10341
 of its bond issue for \$1,500,000.00)
 dated October 1, 1915.)

Devlin and Devlin, by A.I. Diepenbrock,
for Applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this application, Sacramento Gas Company asks permission to issue and sell at not less than 92 percent. of face value, \$225,000.00 of its first mortgage six percent. serial bonds for the purpose of reimbursing its treasury and of financing the cost of additions, extensions and improvements to its gas plants and systems.

Sacramento Gas Company is engaged in the business of manufacturing, producing and distributing gas for lighting and heating purposes in the cities of Sacramento and Lodi. The company reports its gross revenues for the year ending December 31, 1922, as \$244,944.02; for the year ending December 31, 1923 as \$235,495.03; and for the six months ending June 30, 1924 as \$120,590.08. After paying operating expenses, including taxes and depreciation, it reports gross corporate income of \$51,244.92, \$55,222.92 and \$27,462.84 respectively. After interest and other fixed charges there was reported available for dividends \$26,851.90 for the year 1922; \$30,683.60 for the year 1923; and \$15,730.34 for the first six months of 1924. According to the application, dividends have been paid on the outstanding stock during

the last five years at the rate of six percent. per annum.

It appears that the company has an authorized capital stock of \$500,000.00 divided into 10,000 shares of the par value of \$50.00 each, all common, of which there is now outstanding 8582 shares of the aggregate par value of \$429,100.00. The company's assets and liabilities as of June 30, 1924, are reported as follows:-

<u>ASSETS</u>	
Fixed assets	\$1,073,962.55
Cash	14,200.13
Accounts receivable	22,731.05
Investments	1,100.00
Materials and supplies	10,222.63
Unamortized discount on bonds . . .	17,242.27
Other deferred debits	5,296.93
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Total assets	<u>\$1,144,755.56</u>

<u>LIABILITIES</u>	
Capital stock	\$ 429,100.00
Funded debt	355,000.00
Accounts payable	17,292.83
Accruals	12,029.73
Reserve for accrued depreciation	265,999.40
Other reserves	11,392.10
Capital surplus	17,250.00
Corporate surplus unappropriated .	26,691.50
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Total liabilities	<u>\$1,144,755.56</u>

By Decision Number 2898, dated November 13, 1915, as amended, the Commission authorized applicant to execute a deed of trust to secure the payment of an authorized issue of \$1,500,000.00 of first mortgage six percent. bonds dated October 1, 1915, and maturing in annual installments of \$5,000.00 on the first day of October in each of the years 1917 to 1921 inclusive, in annual installments of \$10,000.00 on the first day of October of each of the years 1922 to 1924, inclusive, in annual installments of \$15,000.00 on the first day of October of each of the years 1925 to 1939 inclusive, and the remainder, \$1,220,000. on October 1, 1940. The Commission at that time also authorized the

issue of \$400,000.00 of the bonds, which amount included all of those maturing during 1917 to 1939 inclusive, and \$120,000.00 maturing in 1940. The present application involves the issue of \$225,000.00 of bonds maturing in 1940.

Reports filed supplemental to the Commission's General Order No. 24 show that the company sold the \$400,000.00 of bonds at 92-1/2 percent. of face value, a price netting it \$370,000.00. The reports further show that the company, as permitted by the Commission, used \$301,400.00 of the proceeds to refund bonds and notes at that time outstanding and used the remaining \$68,600.00 to finance in part the cost of additions and betterments made subsequent to August 1, 1915 and prior to April 30, 1921.

The company asks permission to use the proceeds to be received from the sale of \$150,000.00 of the \$225,000.00 of bonds now applied for, to reimburse its treasury because of expenditures for additions and betterments made between August 1, 1915 and May 31, 1924 and to use the proceeds from the sale of the remaining \$75,000.00 of bonds to finance the cost of additions and betterments subsequent to May 31, 1924.

The application shows that during the period from August 1, 1915 to May 31, 1924 the company expended for additions and betterments the sum of \$218,179.63, as shown in some detail in Exhibit "B". Deducting from this amount the sum of \$68,600.00 representing proceeds from the sale of the bonds heretofore authorized by the Commission, there is left the sum of \$149,579.63 against which the Commission has not authorized the issue of bonds or stock. While the company asks permission to use bond proceeds to reimburse its treasury, on account of its construction expenditures prior to May 31, 1924, an analysis of financial statements filed in this and in former proceedings, indicates that a large portion of such expenditures was made with moneys represented by the reserve for accrued depreciation and other reserves. The company's unappro-

priated surplus as of June 30, 1924 is reported at \$36,691.50.

Although asking permission to use the proceeds from the sale of \$150,000.00 of bonds to reimburse its treasury for capital expenditures prior to May 31, 1924, the company reports that all but about \$25,000.00 of such proceeds will be used, after reimbursement, to finance the cost of additions and betterments subsequent to May 31, 1924. In this connection applicant reports that in the near future it will be called upon to expend an additional \$127,575.00 of betterments and improvements, which amount includes \$68,875.00 for Sacramento and \$58,700.00 for Lodi. These expenditures are reported in Exhibit "C" as follows :-

SACRAMENTO:

Increased gas holder capacity	\$ 14,500.00
Two large scrubbers	2,000.00
New purifier	2,000.00
Large underground pipes to reduce back pressure	2,500.00
Two conveyors to handle lamp black	1,200.00
Two meters or gas wells	500.00
Two recording thermometers	150.00
Steam driver compressor	1,500.00
New meter shop	2,000.00
New garage	1,500.00
New calorimeter	400.00
Connecting dead ends	25,000.00
Miscellaneous	2,125.00
New 250 or 300 H.P.boiler	<u>13,500.00</u>
TOTAL	<u>\$68,875.00</u>

LODI:

New holder- 100,000 cubic feet	\$35,000.00
New boiler	6,500.00
Wash box and purifier	3,500.00
Fence around plant	1,200.00
Mains and services in Barnhart tract and connecting dead ends	<u>12,500.00</u>
TOTAL	<u>\$58,700.00</u>
TOTAL Expenditures	<u>\$127,575.00</u>

In addition to these expenditures the record shows that consideration is being given to the installation of a high pressure system in Sacramento which, it is estimated, may cost about \$75,000.00.

The order herein will authorize the issue of the \$225,000. of bonds but will provide that the proceeds from the sale of \$75,000. of such bonds may be expended only for such purposes as the Commission might hereafter authorize.

O R D E R

Sacramento Gas Company, having applied to the Railroad Commission for permission to issue and sell \$225,000.00 of its first mortgage six percent. bonds, 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 and sale is reasonably required 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 Sacramento Gas Company be, and it is hereby, authorized to issue and sell on or before February 28, 1925, at not less than ninety two percent. of face value, plus accrued interest, \$225,000.00 of its first mortgage six percent. bonds.

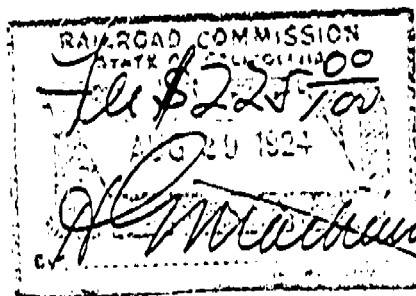
The authority herein granted is subject to further conditions as follows:-

1. Applicant may use the proceeds to be received from the sale of \$150,000.00 of the bonds herein authorized to reimburse its treasury and to finance in part the cost of the additions, betterments and improvements to which reference is made in the foregoing opinion and which are described in Exhibits "B" and "C" filed with the application.
2. The proceeds to be received from the sale of the remaining \$75,000.00 of the bonds herein author-

ized may be used only for such purposes as the Commission will hereafter authorize.

3. Sacramento Gas Company shall keep such record of the issue and sale of the bonds 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 when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$225.00.

DATED at San Francisco, California, this 27th day of August, 1924.



C. Searcy
H. B. [Signature]
Erving Martin
Egerton Shore
J. T. Whittney
Commissioners.