

Decision No. 14385

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 4,000 shares)
of its first preferred capital stock)
at not less than 86 per cent. of the)
par value thereof.)

ORIGINAL

Application Number 10663

Leo H. Susman, for Applicant.

BY THE COMMISSION :

OPINION

In this application the Railroad Commission is asked to make an order authorizing Coast Counties Gas and Electric Company to issue 4,000 shares of its first preferred capital stock, of the aggregate par value of \$400,000.00, for the purpose of reimbursing its treasury and of permanently financing the cost of additions and betterments to its electric and gas plants and properties. The Commission is also asked to authorize the company to sell its stock at not less than eighty-six per cent. of par value and to use of the proceeds an amount equivalent to not exceeding five per cent. of the par value of stock sold to pay commissions and other expenses incident to the sale of stock.

Coast Counties Gas and Electric Company 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 six per cent. stock, 10,000 shares are second preferred six per cent. stock and 10,000 shares are common stock. As of October 31, 1924 the company reports outstanding \$3,185,400.00 of stock, consisting of

\$1,185,400.00 of first preferred stock, \$1,000,000.00 of second preferred stock and \$1,000,000.00 of common stock. As of the same date it reports funded debt of \$1,408,600.00, consisting of \$789,000.00 of Coast Counties Light and Power Company's five per cent. bonds due 1946, \$254,000.00 of Big Creek Light and Power Company's four per cent. bonds due 1947, \$133,000.00 of San Benito Light and Power Company's six per cent. bonds due 1950 and \$232,600.00 of Contra Costa Gas Company's six per cent. bonds due 1954.

For the twelve months ending December 31, 1922, December 31, 1923 and October 31, 1924, applicant reports its revenues and expenses as follows :-

<u>Item</u>	<u>1924</u>	<u>1923</u>	<u>1922</u>
Gross Earnings	\$1,224,153.37	\$1,034,187.93	\$ 841,804.15
Operating Expenses	<u>840,408.36</u>	<u>655,726.12</u>	<u>556,532.31</u>
Net Income	<u>\$ 383,725.01</u>	<u>\$ 378,461.81</u>	<u>\$ 285,271.84</u>
Deduct :			
Interest	90,859.96	91,561.50	82,994.64
Amortization of bond discount	940.86	1,613.12	1,179.48
Depreciation	<u>121,665.50</u>	<u>104,378.61</u>	<u>63,289.00</u>
Total	<u>213,446.32</u>	<u>197,553.23</u>	<u>147,463.12</u>
Balance to surplus	<u>170,278.69</u>	<u>180,908.58</u>	<u>137,808.72</u>
Dividends :			
First preferred stock	58,275.30	40,143.11	17,693.41
Second preferred stock	<u>38,333.34</u>	<u>30,000.00</u>	<u>30,000.00</u>
Total	<u>96,608.64</u>	<u>70,143.11</u>	<u>47,693.41</u>
Balance for year	<u>\$ 73,672.05</u>	<u>\$110,765.47</u>	<u>\$ 90,115.31</u>

In Application Number 10098, filed with the Commission on May 22, 1924, the company reported capital expenditures, up to December 31, 1923, of \$606,226.66 for which it had not been reimbursed with proceeds received from the sale of stock or bonds. By Decision Number 13687, dated June 11, 1924, in Application Number 10098, the Commission authorized applicant to issue and sell \$300,000.00 of its first preferred stock to finance in part the cost of the reported expenditures of

\$606,226.66. Pursuant to such authority it appears that applicant has sold the \$300,000.00 of stock at a net price of \$351,149.23, which amount, deducted from the \$606,226.66, leaves a balance of \$355,077.43 representing uncapitalized construction expenditures up to December 31, 1923.

It now appears, in this application, that from January 1, 1924 to October 31, 1924 applicant has expended \$380,170.88 in making net additions and betterments to its electric and gas plants and properties. This amount is segregated as follows :-

Electric Department

Production capital	\$ 1,116.22
Transmission capital	17,112.39
Distribution capital	220,926.49
Utilization capital	7,562.92
General capital	<u>3,168.15</u>
Total	249,886.17
Less retirements	<u>27,575.40</u>
Total Electric	\$ 222,310.77

Gas Department

Production capital	\$127,394.09
Transmission capital	694.48
Distribution capital	51,026.20
General capital	<u>1,329.32</u>
Total	180,444.09
Less retirements	<u>22,583.98</u>
Total Gas	<u>157,860.11</u>
Total Electric and Gas	<u>\$ 380,170.88</u>

Adding the \$380,170.88 to the \$355,077.43 results in a total of \$735,248.31, which is reported to be the total amount expended up to October 31, 1924 in making additions and betterments for which the company has not been reimbursed through the issue and sale of stock or bonds. The present application is made to permanently finance in part the cost of these expenditures through the issue of \$400,000.00 of stock. Testimony herein indicates that the proceeds to be received, or a portion thereof, after reimbursement will be used to pay in part

the cost of additions and betterments during 1925, which cost is estimated at \$356,000.00.

ORDER

Coast Counties Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$400,000.00 of stock, a public hearing having been held before Examiner Frankhauser, 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 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 on or before December 31, 1925, 4,000 shares of its first preferred six per cent. stock of the aggregate par value of \$400,000.00, such authority to become effective upon the date hereof.

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, if necessary, 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 October 31, 1924 and referred to in the foregoing opinion, provided that only such ex-

penditures as are properly chargeable to capital account as defined by the Classification of Accounts prescribed by the Railroad Commission, shall be financed with such proceeds.

2. Applicant shall file with the Commission, as soon as available, a copy of its 1935 construction budget.
3. 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.

DATED at San Francisco, California, this 20th day of December, 1934.

C. L. Seaver

Irving Martin
Egerton Shore

J. B. Whittey
Commissioners.