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Decision No. 14470.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WESTERN STATES GAS AND ELECTRIC COMPANY)
for an order authorizing the issue and)
sale of its preferred stock of the par)
value of \$1,602,000.00.)

Application Number 10708

Chickering and Gregory, for Applicant.

BY THE COMMISSION:

O P I N I O N

Western States Gas and Electric Company asks permission to issue and sell at par \$1,602,000.00 par value of its seven percent. cumulative preferred stock and use in connection with the sale of such stock not exceeding six percent. of the selling price for payment of commissions and other stock selling expense. The remainder of the proceeds the company asks permission to use to refund sinking fund payments and finance the cost of additions and betterments to its plant and properties.

On December 1, 1924 applicant, according to the testimony, paid to the trustee under its first and refunding (now first) mortgage for sinking fund purposes \$134,951.25. It is of record that \$137,500. of the company's five percent. bonds were redeemed following the deposit and use of the \$134,951.25. The Commission has heretofore by several decisions authorized applicant to issue such an amount of seven percent. cumulative preferred stock on which the dividend equals the interest on the bonds redeemed through sinking fund payments. The annual interest on the \$137,500.00 of five percent. bonds amounts to \$6,875.00. This sum is sufficient to pay annual dividends on \$98,214. of seven percent. cumulative preferred stock. The order herein will authorize the company to use the net proceeds from the sale of \$98,200. par value of stock to refund in part the sinking fund payment made on

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December 1, 1924.

Reference was made at the hearing to sinking fund payments that will be due on June 1st and on December 1, 1925. The payment on each date amounts to \$134,951.25. Applicant asks permission to refund in part such sinking fund payment through the issue of stock. This permission will not be granted at this time for the reason that it is not known what amount of bonds will be redeemed through such payments; and furthermore, for the reason that the condition of the company may change between now and June 1st to such an extent that the refunding of the sinking fund payments would not be warranted. If applicant later desires to refund the sinking fund payments to which reference has been made it may file a supplemental application in this proceeding.

Applicant in its Exhibit No. 6 reports uncapitalized construction expenditures as of November 30, 1924 of \$285,058.02. By Decision Number 13384 dated April 7, 1924 in Application Number 9864 the Commission authorized applicant to issue and sell at par \$750,000. of seven percent. cumulative preferred stock. The testimony in this proceeding shows that all of the stock has been sold. In its decision the Commission allowed the company to expend an amount not exceeding six percent. of the selling price of stock to pay expenses incurred in connection with the sale of the stock. It further authorized the company to expend net proceeds from the sale of \$64,000. of stock to refund sinking fund payments and to expend the balance of the net proceeds amounting to approximately \$644,370.00 to finance 1923 construction expenses. In arriving at its uncapitalized expenditures of \$285,058.02 on November 30, 1924 applicant deducted only \$425,000.00 of the net proceeds from the sale of stock authorized by Decision Number 13384. When this fact was called to the attention of applicant's representatives at the hearing they modified Exhibit No. 6 and made a further deduction of \$219,370.00 from the \$285,058.02 leaving a balance of uncapitalized expenditures of \$65,688.02. The company's construction expenditures for December have been estimated at approximately \$75,000.00 which, added to the \$65,688.02 makes a total of \$140,688.02.

In its Exhibit No. 5 applicant reports its estimated net new construction expenditure for 1925 at \$2,037,691.93 segregated as follows:-

BUDGET ITEM NUMBER	STOCKTON DIVISION	RICHMOND DIVISION	EUREKA DIVISION	TOTAL
Electric steam plants	\$ 2,500.00	\$-----	\$ 16,867.14	\$ 19,367.14
Electric hydro plants	68,688.00	-	-	68,688.00
Electric transm.system	106,817.89	-	48,783.81	155,601.70
Electric substations	349,399.36	50,081.00	14,201.70	413,682.06
Electric distr.system	460,904.88	97,557.00	48,700.00	607,161.88
Street lighting system	136,775.46	14,380.00	2,500.00	153,655.45
Gas plant-Oil Gas	185,947.08	-	5,210.00	191,157.08
Gas plant-natural gas	2,324.88	-	-	2,324.88
Gas transmission system	35,339.52	-	-	35,339.52
Gas distribution system	269,766.87	-	44,668.07	314,434.94
Transportation equipt	9,050.00	4,767.00	2,500.00	16,317.00
Office & misc.blgds	17,842.00	18,150.00	1,500.00	37,492.00
Office equipment	3,500.00	1,000.00	1,398.52	5,898.52
Miscellaneous	2,500.00	4,500.00	9,571.75	16,571.75
TOTAL.....	\$1,651,355.94	\$190,435.00	\$195,900.99	\$2,037,691.93

The total of both actual and estimated construction expenditures, against which this Commission has not authorized the issue of any stock, amounts to \$2,178,379.95. If all the stock herein authorized is sold under the terms and conditions of the order herein, applicant will have available for construction purposes \$1,413,572.00. Deducting this amount from the \$2,178,379.95 leaves a balance of \$764,807.95 to be financed through subsequent issue of securities. The suggestion has been made that this balance may be financed through the issue of bonds. We do not concur in such suggestion and are of the opinion that substantially all of the \$764,807.95 should be obtained through the issue of common stock or in such other manner as will result in the preferred stockholders having precedence both as to dividends and capital.

ORDER

Western States Gas and Electric Company, having applied to the Railroad Commission for permission to issue \$1,602,000.00 of its seven percent cumulative 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 the issue of such stock 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 not less than par for cash \$1,602,000.00 of its seven percent. cumulative preferred stock.

The authority herein granted is subject to the following conditions:-

1. Of the proceeds realized from the sale of the stock herein authorized to be issued and sold, applicant may use, if necessary, an amount not exceeding six percent. of the par value of the stock sold to pay commissions and other expenses incident to the sale of the stock. The net proceeds from the sale of \$98,214.00 of the stock may be used to refund in part the sinking fund payment of December 1, 1924 referred to in this application. The remainder of the 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 described in Exhibit No. 5 filed in Application Number 9864 and in Exhibit No. 5 filed in this application, (No. 10708) or for such other purposes as the Commission may authorize in a supplemental order or orders.
2. Only such expenditures referred to in said exhibits as are properly chargeable to capital account, as defined by the Uniform Classification of Accounts prescribed or adopted by the Railroad Commission may be financed with the proceeds from the sale of the stock authorized to be issued.

3. Western States Gas and Electric Company 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 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 January 15, 1926.

DATED at San Francisco, California, this 17th day of January, 1925.

H. K. Brundage

C. Seavey

Garret Shore

George A. Squires

Commissioners.