

LEW

Decision No. 15489.

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 ninety percent of the par
value thereof.

ORIGINAL

Application No. 11721

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 and sell 3,000 shares of first preferred capital stock of the aggregate par value of \$300,000.

Coast Counties Gas and Electric Company has an authorized capital stock of \$4,000,000.00 divided into \$2,000,000.00 of first preferred stock, \$1,000,000. of second preferred stock, and \$1,000,000 of common. The first preferred stock is entitled to cumulative dividends at the rate of six percent a year before any dividends are paid on the second preferred or common stock and is preferred as to assets before the second preferred or common stock. The second preferred stock is entitled to cumulative dividends at the rate of six percent a year 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 company reports that up to July 31, 1925 it has issued \$1,632,700. of the first preferred stock, \$1,000,000. of the second preferred stock and \$1,000,000. of the common stock. In addition, it appears that it has sold, but not yet issued, \$17,300. of the first preferred stock, so that this application involves the issue and sale of all the remaining authorized but unsold capital stock of applicant.

It is the company's intention, subject to the approval of the Commission, to sell the 3,000 shares covered by this application at not less than \$90. a share, and to use of the proceeds an amount not exceeding \$4.00 a share to pay commissions and other expenses incident to the sale of said shares of stock, and to use the remaining proceeds to reimburse its treasury and to finance permanently in part, capital expenditures made prior to May 31, 1925.

In a former application, No. 10663, the company reported its uncapitalized construction expenditures as of October 31, 1924 at \$735,248.31. It now reports that from November 1, 1924 to May 31, 1925, it expended \$349,665.06 in making additions to and betterments of its gas and electric properties, the two items aggregating \$1,084,913.37. From this total, however, there is deducted \$335,108.89 representing the net proceeds from the sale of the 4,000 shares of stock authorized by the decision in Application No. 10663, and \$11,957.57 representing credits to fixed capital on account of property retirements, resulting in a balance of \$737,846.91, which applicant alleges represents construction expenditures as of May 31, 1925, which have been financed with moneys obtained other than through the issue and sale of securities.

Although this application has been filed in order to finance permanently a portion of the expenditures of \$737,846.91, it appears

from the testimony herein that the proceeds, or a portion of the proceeds, to be received through the issue and sale of the 3,000 shares of stock after reimbursement, will be used to pay in part additional capital expenditures to be made subsequent to May 31, 1925. In this connection it is reported that the total capital expenditures for 1925 should aggregate \$467,307.00 and that in the early part of 1926, approximately \$153,500. must be expended in building a transmission line from Morgan Hill to Watsonville.

ORDER

Coast Counties Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell \$300,000. of its first preferred capital 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 and paid for through such issue and sale is reasonably required by applicant, and that the expenditures herein authorized 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 hereby is, authorized to issue and sell for cash at not less than 90 percent of par value, on or before December 31, 1926, 3,000 shares of its first preferred stock of the aggregate par value of \$300,000.

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

1. Of the proceeds to be received from the sale of the stock herein authorized, applicant may use, if necessary, an amount not exceeding four percent of the par value of the stock sold, to pay commissions and other expenses incident to the sale of such stock. The remaining proceeds and such portion of the four percent not needed to pay commissions and other

expenses incident to the sale of the stock shall be used by applicant to reimburse its treasury and to finance in part the cost of the additions and betterments made prior to May 31, 1925 and referred to in the foregoing opinion, provided that only such expenditures as are properly chargeable to fixed capital accounts, as defined by the Classification of Accounts prescribed by the Railroad Commission, shall be financed by such proceeds.

2. Coast Counties 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.
3. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 3rd day of October, 1925.

H. H. Brundage
W. Seavey
George D. ...
Leon Whitall
Commissioners.