

DEM

Decision No. 16-572

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
COAST VALLEYS GAS AND ELECTRIC COMPANY,
a corporation, to issue and sell
"Series B" seven percent cumulative
preferred stock of the par value of
\$1,000,000.00.

ORIGINAL

Application No. 11803

Cummins, Roemer and Flynn;
Chickering and Gregory,
by W.C.Fox, for applicant.

BY THE COMMISSION:

OPINION

Coast Valleys Gas and Electric Company asks permission to issue 10,000 shares of its Series "B" seven percent cumulative preferred stock of the aggregate par value of \$1,000,000.00.

The company has an authorized capital stock of \$6,000,000.00, divided into \$500,000.00 of Series "A" preferred stock, \$2,500,000.00 of Series "B" preferred stock and \$3,000,000.00 of common stock. The Series "A" stock bears cumulative dividends at the rate of six percent per annum and the Series "B" stock at the rate of seven percent per annum. Both series are preferred, both as to dividends and assets. The holders of the Series "A" stock have the privilege of converting it into Series "B" stock by surrendering the certificates representing shares of Series "A" stock and paying the company \$14.00 for each share and receiving in exchange one share of the Series "B" stock for each share of Series "A" stock surrendered.

Any Series "A" stock surrendered will not thereafter be reissued.

As of August 31, 1925 the company reports outstanding \$3,000,000. of common stock, \$435,000. of Series "A" stock and \$449,700. of Series "B" stock. In now asking permission to issue an additional \$1,000,000.00 of Series "B" stock, the company also asks for authority to sell it at not less than \$98.00 a share and to use not exceeding \$6.00 per share of stock sold to pay commissions and selling expenses, and to use the remaining proceeds to reimburse its treasury and to finance the cost of additional properties. In this connection it reports its unreimbursed expenditures as of August 31, 1925 at \$709,401.35, and its estimated expenditures for the remaining four months of the year at \$302,509.21, and for 1926 at \$760,606.00.

The unreimbursed balance of \$709,401.35 is based on a former application, No. 10344, wherein it was reported that prior to June 30, 1924 the company had retired \$104,000.00 of bonds and had expended \$243,289.09 for construction purposes, for which it had not been reimbursed through the issue of securities. It is now reported in this proceeding that from June 30, 1924 to August 31, 1925 the company retired \$26,000.00 of its bonds and expended \$891,054.69 net, for additions and betterments, the four items aggregating \$1,264,343.78. From this amount there is deducted, as shown in some detail in applicant's Revised Exhibit "E", the sum of \$554,942.45, representing proceeds received or to be received from the stock authorized by the order in Application No. 10344, and the increase in the depreciation reserve during the period, leaving the balance of \$709,401.33.

It appears, however, that applicant has included in its construction expenditures the sum of \$29,056.35 representing the purchase price of the electric distributing system located in the town of Gonzales acquired from Nestle's Food Company, Inc. of California.

together with incidental costs thereto. The Commission has held, and has accordingly advised the company, that of this amount only \$19,918.00 is properly chargeable to fixed capital accounts and that the remaining \$9,138.35 should be eliminated from such accounts. This adjustment was not made in the company's books until the month of September and so is not reflected in this application which sets forth the capital expenditures only up to August 31st. Making the deduction, there is left the sum of \$700,262.98. This expenditure has been temporarily financed through loans represented by current liabilities and by the use of earnings offset by the depreciation reserve and surplus.

The expenditures of \$302,509.21 to be made during the last four months of 1925, are set forth in some detail in applicant's Exhibit "C", and are said to represent the unexpended balances of the authorizations contained in the company's 1925 budget. The estimated expenditures of \$760,606.00 for 1926 are described in applicant's Exhibit "D", which is a copy of the tentative budget for the year, and include the following items:-

Electric steam plants	\$3,000.00
Electric transmission	80,056.00
Electric substations	222,550.00
Electric distribution	250,000.00
Electric street lighting	5,000.00
Gas plants	2,000.00
Gas distribution	72,000.00
Water pumping plants and storage	20,000.00
Water distribution	32,500.00
Transportation	6,000.00
Office and miscellaneous buildings	63,500.00
Office equipment	3,000.00
Miscellaneous tools and instruments	1,000.00

\$ 760,606.00

Adding the figures representing unreimbursed expenditures as of August 31st, as adjusted, and estimated expenditures for the last four months of 1925 and the twelve months of 1926, there is obtained the sum of \$1,763,578.19 representing the amount which ap-

plicant now seeks to capitalize in part through the issue of the \$1,000,000.00 of stock herein requested.

O R D E R

Coast Valleys Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell \$1,000,000 of its Series "B" 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 such issue and sale of stock 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 Valleys Gas and Electric Company be, and it is hereby, authorized to issue and sell on or before December 31, 1926, \$1,000,000.00 of its Series "B" seven percent. preferred stock.

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

1. Applicant shall sell its stock at not less than 96 percent. of par value. It may use of the proceeds an amount not exceeding six dollars (\$6.00) per share of stock sold to pay commissions and expenses incident to the sale thereof, and may use the remaining proceeds, and such portion of the six dollars (\$6.00) not needed to pay commissions and expenses incident to the sale, to pay indebtedness and reimburse its treasury on account of the expenditures of \$700,262.98 made prior to August 31, 1925 and referred to in the company's revised Exhibit "E", and to finance in part the cost of the estimated expenditures of \$302,509.21 to be made

during the last four months of 1925, and the estimated expenditures of \$760,606.00 to be made during the year 1926, provided that only such expenditures as are properly chargeable to capital accounts, as defined by the Classifications of Accounts prescribed by this Commission may be financed with such proceeds.

2. Applicant shall file as soon as available a copy of its 1926 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 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.

DATED at San Francisco, California, this 27th day of October, 1925.

H. B. Brundage

W. L. Sealey

George D. Squires

Commissioners.