

IRA

ORIGINAL

Decision No. 15-756

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
WESTERN STATES GAS and ELECTRIC )  
COMPANY, a corporation, for an order )  
authorizing the issue and sale of )  
its preferred stock of the par )  
value of \$750,000. )

Application No. 11999

Chickering & Gregory by  
W. C. Fox, for applicant.

BY THE COMMISSION:

OPINION

In this application Western States Gas and Electric Company has applied to the Railroad Commission for permission to issue and sell at par 7,500 shares of its seven percent cumulative preferred stock of the aggregate par value of \$750,000.

Western States Gas and Electric Company has an authorized capital stock of \$15,000,000. divided into \$10,000,000. of seven percent cumulative preferred stock and \$5,000,000. of common stock of which amounts \$5,684,100. of the preferred and \$3,981,500. of the common were reported outstanding September 30, 1925. In making the present request to issue and sell an additional \$750,000. of preferred stock the company asks permission

to use an amount not exceeding six percent of the par value of stock sold to pay commissions and selling expenses and to use the remaining proceeds to refund sinking fund payments and to reimburse its treasury on account of capital expenditures made prior to September 30, 1925, and to finance the construction expenditures made and to be made during the last three months of 1925 and during 1926.

Applicant in its Exhibit No. 6 reports uncapitalized construction expenditures of \$28,825.76 as of September 30, 1925. It is of record that applicant's construction expenditures during October, November and December 1925 will aggregate about \$225,000. In its revised Exhibit No. 5 applicant estimates its net construction expenditures during 1926 at \$1,285,150. distributed as follows:

	<u>Stockton</u> <u>DIVISION</u>	<u>Richmond</u> <u>Division</u>	<u>Eureka</u> <u>Division</u>	<u>Total</u>
Electric Steam Plants	\$ 1,500.	\$	\$ 57,100.	\$ 58,600.
Electric Hydro Plants	53,700.		11,400.	65,100.
Electric Trans. System	120,200.		8,300.	128,500.
Electric Substations	50,000.	15,000.	3,200.	68,200.
Electric Dist. System	301,000.	73,000.	44,000.	418,000.
Street Lighting System	40,000.	3,000.	5,000.	48,000.
Gas Plant - Oil Gas	281,000.		2,800.	283,800.
Gas Plant - Nat. Gas	2,000.			2,000.
Gas Trans. System	17,500.			17,500.
Gas Dist. System	125,000.		34,000.	159,000.
Transportation Equipmt.	10,000.	2,500.	4,000.	16,500.
Office & Misc. Bldgs.	10,000.			10,000.
Office Equipment	2,500.	1,000.	1,500.	5,000.
Miscellaneous	1,000.	3,200.	750.	4,950.
	<u>\$1,015,400.</u>	<u>\$97,700.</u>	<u>\$172,050.</u>	<u>\$1,285,150.</u>

Adding the \$28,825.76, the \$225,000. and the \$1,285,150. makes a total of \$1,538,975.76 of actual or estimated construction expenditures.

By Decision No. 14470 dated January 17, 1925 in Application No. 10708 (vol. 25 Opinions and Orders of the Railroad Commission of California, page 865) the Commission authorized the

Western States Gas and Electric Company to issue at not less than par \$1,602,000. of its seven percent preferred stock. The orders of the Commission in Application No. 10708 permit the company to expend an amount not exceeding six percent of the par value of the stock sold to pay commissions and expenses incident to the sale of the stock and use \$196,428. to refund sinking fund payments. Assuming that the company sold all of the \$1,602,000. stock at par and deducting from the proceeds realized an amount equal to six percent of the stock sold, to wit: \$96,120. and the two sinking fund payments of \$196,428. or a total of \$292,548. leaves a balance of \$1,309,452. available for construction purposes. Applicant in its Exhibit No. 6 in arriving at its uncapitalized construction expenditures deducted from construction expenditures therein reported \$767,928. as representing preferred stock proceeds withdrawn under Application No. 10708. Subtracting the \$767,928. from the \$1,309,452. leaves \$541,524 available from the sale of the \$1,602,000. of stock to finance construction expenditures subsequent to September 30, 1925. In the application now before the Commission the company asks permission, as stated, to issue \$750,000. of stock and pay not exceeding an amount equal to six percent of the stock sold to pay commissions and expenses incident to the sale of such stock. The remainder of the proceeds applicant asks permission to use to reimburse its treasury, finance in part the construction expenditures referred to herein and to refund in part sinking fund payments under its first and refunding now first mortgage.

It is of record that on December 1, 1925, the company had to make a sinking fund payment of \$134,951.25 and that on June 1, 1926, a payment of a like amount will be due. The re-

funding of the sinking fund payments through the issue of preferred stock will not be allowed at this time. The sinking fund payments, until such time as the company's net earnings are substantially in excess of its preferred stock dividends should be refunded in a manner which will not jeopardize the dividends or the equity of the company's preferred stockholders.

ORDER

Western States Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$750,000. 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 application should be granted only as herein provided and 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 expense or to income,

IT IS HEREBY ORDERED that Western States Gas and Electric Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1926, at not less than par, \$750,000. 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 applicant may use, if necessary, an amount not exceeding six

percent of the par value of stock sold to pay commissions and other expenses incident to the sale. The remaining proceeds, and such portion of the six percent not needed for commissions and other expenses incident to the sale of stock, shall be used to finance in part the cost of the extensions, additions and betterments to which reference is made in the foregoing opinion, or to reimburse the company's treasury to the extent that income has been used to finance said expenditures or for such other purposes as the Commission may authorize in subsequent orders.

- (2) Only such expenditures as are properly chargeable to capital accounts, as such accounts are defined by the uniform classifications of accounts prescribed or adopted by the Railroad Commission may be financed with the proceeds from the sale of the stock herein 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, insofar as applicable,  
is made a part of this order.

- (4) The authority herein granted will become  
effective upon the date hereof.

IT IS HEREBY FURTHER ORDERED that the request of  
Western States Gas and Electric Company to use proceeds obtained  
from the sale of preferred stock to refund sinking fund payments  
be, and the same is hereby, denied without prejudice.

DATED at San Francisco, California, this 16<sup>th</sup> day  
of December, 1925.

H. B. Brundage

C. C. Seaver

George W. Squires

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Commissioners.