

DEM

Decision No. 16092.

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 5,000 shares
of its first preferred capital stock at
not less than 92 percent of the par value
thereof.

ORIGINAL

Application No. 12534

Leo H. Susman, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter Coast Counties Gas and Electric Company asks the Railroad Commission to make an order authorizing it to issue and sell 5,000 shares of its six percent cumulative first preferred stock, of the aggregate par value of \$500,000., at not less than 92 percent of par value, and to use four percent of the par value of stock sold to pay selling expenses, and to use the remaining proceeds to reimburse its treasury and to finance permanently the cost of expenditures for additions and betterments to its electric and gas plants and properties.

Coast Counties Gas and Electric Company has an authorized capital stock of \$4,000,000., divided into \$2,000,000. of first preferred six percent stock, \$1,000,000. of second preferred six percent stock, and \$1,000,000. of common stock, all of which is outstanding or is subscribed for. The record in this matter shows, however, that applicant is taking steps to increase

its authorized capital stock to \$7,000,000., the increase of \$3,000,000., if approved by the stockholders, to consist of first preferred stock. The proposed issue of stock covered by this application will be part of this increased capitalization.

The company asks permission to sell the 5,000 shares at not less than 92 percent of par value. It further asks permission to use an amount not exceeding four percent of the par value of stock sold to pay selling commissions and to use the remaining proceeds to reimburse its treasury and to finance the cost of additions and betterments.

The company reports, in support of its request, that up to May 31, 1925 it had expended \$737,846.91 in making additions and betterments to its plants and properties which had not been capitalized, and that from May 31, 1925 to December 31, 1925 it expended an additional \$268,495.10 for similar purposes, as shown in some detail in Exhibit "B", making a total of \$1,006,342.01. From this amount it deducts \$43,880.49, being the net proceeds from the sale of \$50,000. of stock authorized by Decision No. 15489, leaving a balance of \$962,461.52 which it uses as a basis in making the present application to issue \$500,000. of stock.

However, by Decision No. 15489, dated October 3, 1925, the Commission authorized applicant to issue and sell, at not less than 86 percent of par value, net, \$300,000. of first preferred stock. In arriving at the balance of \$962,461.52 applicant has deducted only the proceeds from the sale of \$50,000. of such stock, that being the par value of the total amount issued up to that time. The record in this matter now shows that the remaining \$250,000. of stock authorized by Decision No. 15489 has been sold at an average price of about 89 percent of par value, making a total of about \$222,500. for the entire \$250,000. Subtracting the \$222,500. from the \$962,461.52 there is left a balance of \$739,961.52.

Although applicant asks permission to use stock proceeds to reimburse its treasury because of expenditures for additions and betterments made prior to December 31, 1925, the testimony of its president, S. Waldo Coleman, indicates that such expenditures were financed not only by investment of surplus earnings but also by moneys represented by reserve for depreciation and accrued current liabilities not yet due. His testimony further indicates that this application was made primarily to secure funds for the 1926 construction and that the proceeds, after reimbursement, would be used for this purpose. In this connection he testified that during 1926 it was estimated that \$828,500. would be used for construction work, which sum is segregated as follows:-

Electric department		\$561,600.
Gas department:		
Santa Cruz Division	\$39,700.	
Watsonville Division	25,200.	
Hollister Division	29,000.	
Gilroy Division	13,000.	
Contra Costa Division	<u>160,000.</u>	<u>266,900.</u>
Total.....		<u>\$828,500.</u>

The order herein will authorize applicant to use the proceeds to be received from the sale of its stock to reimburse its treasury and to pay indebtedness incurred in making additions to and betterments of its plants and properties prior to December 31, 1925 and to finance in part the estimated expenditures for 1926.

ORDER

Coast Counties Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held before Examiner Farkhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reas-

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onably 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 expense or to income.

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1926, 5,000 shares of its six percent cumulative preferred stock, of the aggregate par value of \$500,000. at not less than 92 per cent of par value.

IT IS HEREBY FURTHER ORDERED that Coast Counties Gas and Electric Company be, and it is hereby, authorized to use not exceeding four percent of the par value of stock sold to pay commissions and expenses incident to the sale thereof and to use the remaining proceeds, and such portion of the four percent not needed for commissions and expenses incident to the sale of stock, to reimburse its treasury and to pay indebtedness incurred in making additions to, and betterments of, its plants and properties prior to December 31, 1925, and to finance in part the estimated expenditures during 1926.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when applicant has filed a verified copy of its amended articles of incorporation referred to in the foregoing opinion. Applicant shall keep such record of the issue and sale of the stock 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.

DATED at San Francisco, California, this 5th day of March, 1926.

H. B. ...
...
Leon Whitell

Commissioners.