

LEM

Decision No. 17444.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
COAST VALLEYS GAS AND ELECTRIC COMPANY,
a corporation, to issue and sell Ser-
ies "B" seven percent cumulative pre-
ferred stock of the par value of
\$500,000.00.

} Application No. 13159
}

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

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing held before Examiner Fankhauser, the Railroad Commission is asked to make an order authorizing Coast Valleys Gas and Electric Company to issue \$500,000.00 of its Series "B" seven percent cumulative preferred stock. The Commission is also asked to authorize the company to sell the stock at not less than par, to use, of the proceeds, an amount not exceeding six dollars per share of stock sold to pay commissions and expenses incident to the sale thereof, and to use the remaining proceeds to finance the cost of extensions, additions and betterments to its plants and properties.

The company reports actual construction expenditures up to July 31, 1926, and estimated construction expenditures for the remaining five months of 1926 and for the year 1927 of

\$1,416,884.55 which it reports have not been paid or provided for through the issue of securities. This amount is determined as follows:-

Unreimbursed balance at August 31, 1925, as per Application No. 11803	\$709,401.33	
Plus amount excluded from total as estimated stock proceeds (explained below)	107,348.00	
Total	\$816,749.33	
First mortgage bonds retired between Aug. 31, 1925 and July 31, 1926	28,000.00	
Net construction expenditures Aug. 31, 1925 to July 31, 1926	735,718.74	
Total		\$1,580,468.07
LESS:		
Cash received for conversion of Series "A" stock to Series "B" stock- Aug. 31, 1925 to July 31, 1926	434.00	
Proceeds from 6% stock subscriptions	2,213.35	
Proceeds from 7% stock sold Aug. 31, 1925 to July 31, 1926 including proceeds from partial payment subscriptions	800,990.98	
Anticipated proceeds from sale of remaining \$277,100. of stock authorized in previous orders plus balance due on outstanding subscriptions	276,050.39	
Increase in depreciation reserve Aug. 31, 1925 to July 31, 1926	27,950.86	
Total		1,107,639.58
Net construction expenditures to July 31, 1926, to be reimbursed from sale of \$500,000. of stock	472,828.49	
Amount required to complete 1926 budget	444,056.06	
Estimated minimum amount for 1927	500,000.00	
Total expenditures made the basis of application herein to issue \$500,000. of stock		<u>\$1,416,884.55</u>

In Application No. 11803 the company reported its unreimbursed expenditures (Exhibit E) as of August 31, 1925 at \$709,401.33. In determining this amount the company deducted from its actual expenditures \$107,348.00 which it believed would be collected after August 31, 1925 from the sale of stock, the issue of which the Commission had authorized prior to August 31, 1925. In the present proceeding applicant reports the actual receipts from the sale of stock from August 31, 1925 to July 31, 1926, at \$800,990.98, which amount, as shown in the preceding statement,

is deducted from actual expenditures prior to July 31, 1926. Inasmuch as the company reports the actual receipts from the sale of stock from August 31, 1925 to July 31, 1926, ^{and} deducts the same from its actual expenditures, the estimated receipts of \$107,348.00 deducted from expenditures to August 31, 1925 in Application No. 11803, should be added to the \$709,401.33, to the reported unreimbursed balance as of that date, for otherwise the \$107,348.00 would be deducted twice.

The expenditures made prior to July 31, 1926, are described in Exhibit "C", and those estimated for the remainder of 1926, in Exhibit "D", both attached to the application.

The estimated expenditures consist of the following:-

Steam plants	\$1,200.00
Electric transmission . .	105,056.74
Electric substations . .	75,869.41
Electric distribution . .	135,288.70
Street lighting	5,084.54
Gas plants	3,804.63
Gas distribution	44,599.65
Water plants and storage	3,218.80
Water distribution	24,643.64
Office and miscellaneous buildings	36,661.56
Office equipment	7,740.05
Transportation equipment	<u>888.34</u>
Total	<u>\$444,056.06</u>

The estimated expenditures for 1927 are not set forth in this application. However, in view of the margin between the \$500,000. of stock covered by this application and the \$916,884.55 representing expenditures made, or to be made, during 1926, it seems unnecessary to give consideration to them at this time. The order herein, therefore, will authorize the issue of stock to finance, in part, expenditures up to the close of this year only.

O R D E R

Coast Valleys Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held, and the Commission being of the opinion 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 Coast Valleys Gas and Electric Company be, and it hereby is, authorized to issue and sell on or before December 31, 1927, \$500,000. of its Series "B" seven per cent cumulative preferred stock.

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

1. Applicant shall sell its stock at not less than the par value thereof. It may use, of the proceeds, an amount not exceeding six dollars 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 not needed to pay commissions and expenses incident to the sale of stock, to pay indebtedness and to reimburse its treasury on account of the expenditures made prior to July 31, 1926, referred to in the foregoing opinion, and to finance in part the cost of the estimated expenditures of \$444,056.06 made, or to be made during the last five months of 1926, provided that only such expenditures as are properly chargeable to capital accounts, as defined by the Uniform Classifications of Accounts

prescribed by this Commission may be financed with such proceeds.

2. 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, insofar as applicable, is made a part of this order.
3. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 11th day of October, 1926.

H. B. Brundage
C. H. Seaver
Ernest C. Smith
Thomas D. Rountree
Commissioners.