

LEM

Decision No. 17796.

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 94 percent of the par value
thereof.

Application No. 13307

ORIGINAL

Leo H. Susman, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Coast Counties Gas and Electric Com-
pany asks the Railroad Commission to make an order authorizing it
to issue and sell 5,000 shares of its first preferred six percent
capital stock, of the aggregate par value of \$500,000.00, at not
less than \$94. a share. The company further asks permission to
use an amount of the proceeds 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 per-
manently the cost of expenditures heretofore made for additions
and betterments to its electric and gas plants and properties.
We believe that the payment of commissions and stock selling ex-
penses should be limited to three percent of the par value of the
stock sold.

Applicant has an authorized capital stock of \$7,000,000
divided into 70,000 shares of the par value of \$100. each, of which
50,000 shares are first preferred stock, 10,000 shares are second
preferred stock and 10,000 shares are common stock. The first
preferred stock is entitled to cumulative dividends at the rate of

six percent per annum 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 per annum after cumulative dividends on the first preferred stock have been paid and before any dividends are paid on the common stock and is preferred as to assets before the common stock.

As of September 30, 1926, applicant reports outstanding \$2,401,400.00 of first preferred stock, \$1,000,000.00 of second preferred stock and \$1,000,000.00 of common stock. Its assets and liabilities, as of the same date, are reported as follows:-

ASSETS:

Fixed capital	\$6,034,175.97	
Subscribers to capital stock	50,205.70	
Current and accrued assets:		
Cash	\$46,084.17	
Special deposits	11,215.26	
Accounts receivable	214,795.25	
Materials and supplies	116,961.01	
Advances to affiliated companies	33,863.13	
Marketable securities	9,022.50	
Miscellaneous	4,435.27	
	<hr/>	436,376.59
Sinking funds		405,425.16
Deferred debits		27,534.97
Reacquired securities		14,656.42
Discount on stock		<hr/> 944,771.08
		<hr/>
Total assets		<u>\$7,913,145.89</u>

LIABILITIES:

Capital stock	\$4,401,400.00	
Funded debt	1,738,000.00	
Subscriptions to stock	90,895.00	
Current and accrued liabilities:		
Accounts payable	101,988.66	
Consumers' deposits	13,179.49	
Accruals	94,504.82	
Miscellaneous	20,510.32	
	<hr/>	230,183.29
Deferred credits		23,291.09
Reserves		983,653.68
Corporate surplus unappropriated		<hr/> 445,722.83
		<hr/>
Total liabilities		<u>\$7,913,145.89</u>

In support of the request to issue additional first preferred stock the company reports that up to September 30, 1926 it had expended \$817,747.62 in making additions and betterments to its gas and electric plants and properties which had not been paid or provided through the issue of bonds, stock or other securities. This sum was determined in the following manner:-

Uncapitalized, December 31, 1925, as reported in Application No. 12534	\$952,461.52
Net expenditures for capital purposes, January 1, 1926 to September 30, 1926	<u>536,306.78</u>
Total.....	\$1,498,768.30

DEDUCT:-

Proceeds from \$250,000. of stock authorized by Decision No. 15489	\$230,000.00	
Proceeds from \$500,000. of stock authorized by Decision No. 16092	461,569.00	
Total.....	<u>691,569.00</u>	
LESS sales cost	<u>10,548.32</u>	<u>681,020.68</u>
Uncapitalized September 30, 1926.....		<u>\$817,747.62</u>

Expenditures made prior to December 31, 1925 have been reported to the Commission in some detail in former proceedings. The expenditures of \$536,306.78 made between January 1, 1926 and September 30, 1926 are shown in detail in Exhibit "B" attached to the present application.

At the hearing held in the matter, W. W. Kamm, applicant's secretary, testified that the uncapitalized expenditures of \$817,747.62 were financed with surplus earnings and moneys represented by the reserve for depreciation. He further testified that the necessity for making the present petition to issue stock at this time is to meet 1927 construction requirements which are estimated at \$598,950.00. The estimated expenditures according to Exhibit No. 2, which is a copy of the tentative

construction budget for 1927, consists of the following:-

ELECTRIC DEPARTMENT:

General-new consumers	\$215,000.00
Santa Cruz substation	27,900.00
Aptos substation	5,700.00
Hollister substation	12,400.00
Pacheco substation	11,500.00
Gilroy substation	32,800.00
Morgan Hill substation	17,800.00
Coyote substation	19,800.00
San Juan substation	4,600.00
Watsonville-Betabel line	24,000.00
Warehouses and garages	12,000.00
Miscellaneous	25,000.00
Contingencies	40,850.00

Total electric department \$449,350.00

GAS DEPARTMENT:

General-new consumers	50,000.00
Pittsburg gas works	7,500.00
Pinole compression station	23,000.00
Santa Cruz gas works	26,000.00
Santa Cruz 4" line	6,000.00
Watsonville gas works	2,500.00
Hollister gas works	3,000.00
Gilroy gas works	3,000.00
Miscellaneous	15,000.00
Contingencies	13,600.00

Total gas department 149,600.00

Total estimated expenditures..... \$598,950.00

The order herein will permit the company to use the proceeds to be obtained from the sale of the stock to finance its estimated construction expenditures as well as to reimburse its treasury and finance construction expenditures heretofore made.

ORDER

Coast Counties Gas and Electric Company, having applied to the Railroad Commission for permission to issue 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 is reasonably required for the purposes specified herein, and that the expendi-

tures 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 hereby is, authorized to issue and sell, on or before December 31, 1927, 5,000 shares of its six percent cumulative first preferred capital stock, of the aggregate par value of \$500,000.00 at not less than \$94. a share.

IT IS HEREBY FURTHER ORDERED that Coast Counties Gas and Electric Company be, and it hereby is, authorized to use not exceeding three percent of the par value of stock sold to pay commissions and expenses incident to the sale of said stock and to use the remaining proceeds, and such portion of the three percent not needed to pay commissions and expenses incident to the sale of the stock in part to reimburse its reserves and treasury and to finance permanently construction expenditures made prior to September 30, 1926, and in part to pay for construction expenditures referred to in this application, to be made subsequent to September 30, 1926 and up to December 31, 1927, provided that only such construction expenditures as are properly chargeable to fixed capital accounts under the Uniform System of Accounts prescribed by the Commission may be financed through the use of said proceeds.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective upon the date hereof, and, further, that applicant shall keep such record of the issue and sale 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.

DATED at San Francisco, California, this 31 day of
December, 1926.

H. R. ...
C. Deaver
Edward ...
Leon ...
Thos. ...

Commissioners.