

EBM

Decision No. 17993.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
COAST COUNTIES GAS AND ELECTRIC COM- )  
PANY, a corporation, for an order of )  
the Railroad Commission authorizing )  
said company to issue and sell 3500 ) Application No. 13491  
shares of its first preferred capital )  
stock at not less than 94 percent )  
of the par value thereof. )

Leo H. Susman, for applicant.

BY THE COMMISSION:

OPINION

Coast Counties Gas and Electric Company asks permission to issue and sell, at not less than 94 percent of par value, \$350,000. of its first preferred six percent stock for the purpose of financing the cost of additions and betterments to its electric and gas plants and systems.

In a former application, No. 13307, filed with the Commission on November 8, 1926, the company reported that up to September 30, 1926, it had expended \$817,747.62 in making additions and betterments to its properties, no part of which had been obtained from the sale of bonds, stock or other securities, but, according to the testimony of W.W.Kamm, applicant's secretary, from surplus earnings and moneys represented by its reserve for depreciation. By Decision No. 17706, dated November 3, 1926, the Commission authorized the company to issue and sell \$500,000. of preferred stock to reimburse its treasury and reserves and to fi-

nance permanently in part the reported expenditures of \$817,747.62 and to pay in part for construction expenditures to be made subsequent to September 30, 1926.

The company now reports that it has sold all of the \$500,000 of stock authorized by Decision No. 17706 and that in addition subscriptions were received for approximately \$350,000. of stock in excess of the amount authorized. Applicant has therefore filed this petition at this time for permission to issue \$350,000. of additional stock. It reports, in support of its request, that up to December 31, 1926 it had expended for additions and betterments the sum of \$573,866.35 which has not been paid or provided through the issue of securities. The amount is determined as

follows:-

Expenditures uncapitalized, Sept. 1, 1926 (App. No. 13307)	\$817,747.62
<u>ADD</u>	
Expenditures Oct. 1, 1926 to Dec. 31, 1926 . . . . .	226,118.73
Subtotal.....	1,043,866.35
<u>LESS</u>	
Receipts from sale of \$500,000. of stock authorized by Decision No. 17706 . . . . .	470,000.00
Balance.....	<u>\$573,866.35</u>

Applicant reports that it has incurred a cost of about two dollars per share to sell the 5000 shares of stock authorized by Decision No. 17706.

The testimony herein indicates that the proceeds to be received from the sale of the \$350,000.00 of stock will be used chiefly to pay 1927 construction costs. These costs were described in a tentative budget filed in Application No. 13307, but have since been revised, and as revised, have been submitted in

this proceeding as Exhibit "I". Summarized, the estimated expenditures are as follows:-

ELECTRIC DEPARTMENT:

New consumers . . . . .	\$215,000.	
Santa Cruz substation . . . . .	27,900.	
Aptos substation . . . . .	5,700.	
Hollister substation . . . . .	12,400.	
Pacheco substation . . . . .	11,500.	
Gilroy substation . . . . .	32,800.	
Morgan Hill substation . . . . .	17,800.	
Coyote substation . . . . .	19,800.	
San Juan substation . . . . .	4,600.	
Watsonville-Betabel line . . . . .	24,000.	
Coyote-Morgan Hill Line . . . . .	25,000.	
Warehouses and garages . . . . .	18,000.	
Miscellaneous and contingencies	<u>77,950.</u>	
Total electric department . . . . .		\$492,450.

GAS DEPARTMENT:

New consumers . . . . .	50,000.	
Pittsburg Gas Works . . . . .	17,000.	
Pinole compressor station . . . . .	23,000.	
Santa Cruz gas works . . . . .	32,000.	
Watsonville gas works . . . . .	3,500.	
Hollister gas works . . . . .	3,000.	
Gilroy gas works . . . . .	3,000.	
Santa Cruz-Watsonville line . . . . .	145,600.	
Miscellaneous and contingencies	<u>64,500.</u>	
Total gas department . . . . .		341,600.

GENERAL:

Gilroy office building . . . . .	20,000.	
Transportation equipment . . . . .	<u>9,800.</u>	
Total general . . . . .		29,800.

Total . . . . . \$863,850.

The company asks permission to use an amount not exceeding four percent of the par value of stock sold to pay stock selling expenses and commissions. Such an allowance we believe is excessive. The order herein will allow the expenditure of not more than two percent for said purposes.

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 Rail-

road 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 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 hereby is, authorized to issue and sell on or before December 31, 1927, at not less than 94 percent of par value, \$350,000.00 of its first preferred capital stock.

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

(1) Of the proceeds to be received from the sale of the stock herein authorized, applicant may use an amount not exceeding two percent of the par value of stock sold to pay commissions and expenses incident to the sale of the stock, and may use the remaining proceeds, and such portion of the two percent not needed to pay commissions and expenses incident to the sale of the stock, to reimburse its reserves and treasury and to finance permanently construction expenditures made prior to December 31, 1926, and to pay in part for construction expenditures, referred to in Exhibit "I", to be made during 1927, provided that only such construction expenditures as are properly chargeable to fixed capital accounts under the Uniform Systems of Accounts prescribed by this Commission, may be financed through the use of such proceeds.

(2) 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.

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

DATED at San Francisco, California, this 11<sup>th</sup> day of February, 1927.

Emmett G.  
H. B. ...  
A. ...  
Leon ...  
John ...

Commissioners.