

Decision No. 19121

ORIGINAL

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)
 4,000 shares of its first preferred)
 capital stock at not less than 97)
 percent of the par value thereof.)

Application No. 14209.

BY THE COMMISSION:

O P I N I O N

In this proceeding Coast Counties Gas and Electric Company asks permission to issue and sell 4,000 shares of its first preferred six percent stock, of the aggregate par value of \$400,000.00, for the purpose of reimbursing its treasury and of permanently financing the cost of additions and betterments to its electric and gas plants and systems.

Coast Counties Gas and Electric Company has an authorized capital stock of \$7,000,000.00, divided into 70,000 shares of the par value of \$100.00 each, of which 50,000 shares are six percent cumulative first preferred stock; 10,000 are six percent cumulative second preferred stock and 10,000 are common stock. As of October 31, 1927, the company reported outstanding \$3,217,500.00 of the first preferred stock, \$1,000,000.00 of the second preferred stock and \$1,000,000.00 of common stock, a total

of \$5,217,500.00.

Its assets and liabilities, as of October 1, 1927, are reported as follows:-

ASSETS:

Fixed capital	\$6,986,692.30	
Subscribers to capital stock	66,709.60	
Current and accrued assets:		
Cash and special deposits	\$108,700.79	
Accounts receivable	250,092.80	
Materials and supplies	125,314.05	
Advances to affiliated companies	27,097.15	
Marketable securities	49,181.99	
Other current assets	861.00	561,247.78
Special funds		448,563.72
Deferred debits		60,429.26
Discount on capital stock		957,760.29
Total Assets		<u>\$9,081,402.95</u>

LIABILITIES:

Capital stock	\$5,217,500.00	
Funded debt	1,738,000.00	
Subscription to preferred stock	124,122.00	
Current liabilities:		
Accounts payable	\$99,896.01	
Consumers' deposits	14,158.09	
Accruals	183,966.65	
Miscellaneous	39,500.00	337,520.75
Deferred credits		28,886.06
Reserves		1,157,833.95
Unappropriated surplus		477,540.19
Total Liabilities		<u>\$9,081,402.95</u>

The company reports, in this application, that up to September 30, 1927, it had expended \$1,108,398.35 in making additions and betterments to its properties for which it had not been reimbursed with proceeds from the sale of stock, bonds or other securities, the amounts, according to the testimony of W. W. Kamm, applicant's secretary, having been provided from surplus earnings and moneys represented by its depreciation reserve. Because of these uncapitalized expenditures it now seeks permission to issue the additional \$400,000.00 of first preferred stock for the purpose of reimbursing its treasury. After reimbursement the proceeds from the stock will

be used to meet 1928 construction costs which are set forth in a copy of the 1928 budget filed in this matter as Exhibit No. 2.

These costs are as follows:-

Electric Construction:

Distribution lines, transformers, meters, (1000 consumers)	\$250,000.	
Watsonville substation.	25,000.	
Substation work	20,000.	
Contingencies	<u>29,500.</u>	\$324,500.

Gas Construction:

Mains, services, meters (1000 consumers).	\$80,000.	
Santa Cruz gas works:		
Shop, warehouse, miscellaneous	25,000.	
Watsonville gas works - miscellaneous	2,500.	
Hollister gas works - building, boiler, miscellaneous.	15,000.	
Gilroy gas works - boiler, miscellaneous.	5,500.	
Pittsburg gas works - miscellaneous	5,000.	
Extensions - Soquel to Capitola, Watsonville Highway to Twin Lakes.	20,000.	
Contingencies	<u>15,300.</u>	\$168,300.

General:

Hollister warehouse and office.	<u>45,000.</u>
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Total.....\$537,800.

The company asks permission to sell its stock at not less than 97 percent of par value and to use not exceeding four percent of the par value of stock sold to pay stock selling expenses and commissions. The evidence submitted does not, in our opinion, justify such an allowance and the order herein will permit the use of not more than two percent for these 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 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 expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses 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, 1928, at not less than 97 percent of par value, 4,000 shares of its first preferred stock of the aggregate par value of \$400,000.00.

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

1. Of the proceeds 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 thereof, and the remaining proceeds, and such portion of the two percent not needed to pay commissions and expenses incident to the sale of stock, to reimburse its treasury and to finance in part the expenditures for the additions and betterments referred to in the foregoing opinion, provided that only such expenditures as are properly chargeable to fixed capital accounts under the uniform system 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 shall become effective upon the date hereof.

DATED at San Francisco, California, this 15th day of December, 1927.

Edmund C. ...
Clarence ...
Leon Whitell
Thos. J. ...
W. J. ...
Commissioners.