

LBM

Decision No. 19348.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
TRACY GAS COMPANY,
a corporation, for an order authoriz-
ing the issue and sale of \$10,000.00
of its capital stock and \$18,500.00
of its first mortgage bonds and raise
\$24,900.00 in order to finance con-
templated improvements and for an
order determining and fixing rates to
be charged for gas.)

) Application No. 13295
(Supplemental)

Crittenden and Hench, by George M. Hench,
for Tracy Gas Company.

BY THE COMMISSION:

SUPPLEMENTAL OPINION

In a supplemental petition filed on December 31, 1927,
the Tracy Gas Company asks permission to issue and sell \$10,000.00
of its common capital stock, \$18,500.00 of its first mortgage six
percent bonds, at the prices and for the purposes hereinafter
stated.

On January 20th the company requested permission to modify
the construction contract between applicant and E. A. MacGillivray,
referred to in Decision No. 18862, dated October 3, 1927, so as to
remove from such construction contract the obligation of E. A.
MacGillivray to expend \$23,610.00 for service pipe, meters, testing
equipment and appurtenances. The items to be removed from the

contract and which will be installed by the company itself, are as follows;-

Name of Materials	Cost to Company as per Contract Oct. 5, 1927.
Service pipe	\$ 10,600.00
Small pipe	3,000.00
Stop cocks for meters	560.00
Auto truck, signs, tools	2,000.00
Testing equipment	450.00
700 gas meters	7,000.00
Total.....	\$ 23,610.00

It appears that there is no need at this time for the Tracy Gas Company to expend all of the \$23,610.00 and it has therefore been concluded to release the contractor from the obligation to acquire and install the pipe and equipment mentioned. The \$23,610. will be deducted from the next contract payment. This request should be granted.

In the supplemental petition filed on December 31st the Tracy Gas Company reports actual or estimated additional expenditures as follows;-

Laying gas mains under Southern Pacific tracks on "C" St.	\$ 200.00
For furnishing and laying extra pipe over and above that provided for in contract with E. A. MacGillivray for completing belt line	2,817.50
For furnishing and laying pipe to community north of and adjacent to the city limits of Tracy, not covered by contract with E. A. MacGillivray	4,912.50
Office equipment	370.00
Office rent, Sept. 1, 1927 to Feb. 1, 1928	575.00
Stenographer's salary, telephone and postage Sept. 1, 1927 to Feb. 1, 1928	375.00
Accountant's salary Sept. 1, 1927 to Feb. 1, 1928	250.00
For services of Leon Melekov, as secretary and general manager from Dec. 1, 1926 to Feb. 1, 1928 at the rate of \$800. per month	8,400.00
(From Dec. 1, 1926 to Sept. 1, 1927.....	\$3,000.
(From Sept. 1, 1927 to Feb. 1, 1928.....	5,400.
Forward.....	\$17,900.00

Forward	\$17,900.00
Travelling expenses and general expenses of officers of company	1,612.95
(From organization of company to Sept. 1, 1927)	\$ 612.95
(From Sept. 1, 1927 to Feb. 1, 1928)	<u>1,000.00</u>
State Corporation Tax	75.00
For salary of solicitor of gas applications for four months	800.00
Estimated cost of printing consumer's forms	408.66
Attorney's fees	250.00
Working capital	3,853.39
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Total.....	<u>\$24,900.00</u>

By Decision No. 17769 dated December 20, 1926, as amended, the Commission authorized Tracy Gas Company to issue \$80,000.00 of stock and \$100,000.00 of bonds for the purpose of constructing its gas plant.

The order of the Commission provides that the stock shall be sold for not less than par and that 17-1/2 percent of the proceeds realized from the sale of the stock may be used to pay commissions and all other expenses incident to the sale of such stock. It further provides that the bonds may be sold at not less than ninety and accrued interest. The net proceeds from the sale of the bonds and stock are to be used for the following purposes and none other;-

To pay the cost of land and right of way	\$5,000.00
To pay the cost of spur track	1,331.00
To pay contract price	136,000.00
To pay the cost of pole line	530.00
To pay expenses of bond issue including at- torney's fees and cost of acquiring franchises and expenses of proceedings before the Railroad Commission	5,000.00
To pay the cost of road	450.00
To provide working capital	3,600.00
To pay miscellaneous expenses	1,281.60
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Total.....	<u>\$153,192.60</u>

While the company asks permission to modify its construction contract and deduct \$23,610.00 from such contract, it is its intention to expend the \$23,610.00 for the same purposes as are set forth in the construction contract.

The company alleges that it has been necessary for it to incur expenses or that it will have to incur the expenses mentioned above, in addition to those heretofore submitted, and that therefore it should be authorized to issue \$10,000.00 of additional stock and \$18,500.00 of additional bonds. In Decision No. 18362, dated October 3, 1927 the Commission held that the \$612.95 referred to above and the \$600.00 per month salary of Leon Melekov, secretary and general manager from December 1, 1926 to September 1, 1927, should be paid out of the 17-1/2 percent allowed for commissions and expenses incident to the sale of the stock or in some manner other than the issue of stock, bonds or other evidences of indebtedness authorized by this Commission. In the supplemental petition filed on December 31, 1927, the company again repeats its request to pay from the proceeds realized from the sale of stock and bonds, the \$612.95, as well as the \$600.00 per month salary of Leon Melekov, together with additional travelling expenses and salary from September 1, 1927 to February 1, 1928. In our opinion the salary and expenses (\$10,012.95) referred to should not be paid through the issue of stock, bonds or other evidences of indebtedness authorized by this Commission.

An analysis of our decisions will show that we have been more liberal than usual with this applicant, both in the amount allowed for stock selling commissions and expenses and in the allowance for overhead and general expenses. We made these allowances in order that the residents of Tracy might have gas service. Naturally there is a limit beyond which such allowances should not go. The interest of the consumer does not, in our opinion, warrant applicant to capitalize any more of its general expenses such as have been mentioned above. We also believe that the salary of the man in charge of the Tracy office and the expenses of printing consumer's forms should be paid out of the allowance for working capital. We believe that applicant should be permitted to raise \$13,775.00 additional money through the issue of stocks and bonds, in order that it may complete its gas plant, and for other purposes such as are mentioned in the following order.

Applicant, according to its Exhibit No. 13, proposes to put into effect the following rates;-

First 400 cu. ft. (or less) per meter per month	\$1.50 net
Next 2000 cu.ft. per meter per month	2.00 net per M.C.F.
All over 2400 cu.ft. per meter per month	1.50 net per M.C.F.
Minimum charge \$1.50 per meter per month.	

It also agrees that its rules and regulations affecting the character of service and relations of the company with its customers will conform to the standard rules and regulations of the Railroad Commission, and will be regularly submitted for approval in accordance with General Order No. 58, and that standard forms will be prepared and submitted for approval.

We do not believe that it is necessary for this Commission by formal order to approve the aforementioned rates. The company should forthwith file with the Commission its proposed rates, rules and regulations.

SIXTH SUPPLEMENTAL ORDER

Tracy Gas Company having applied to the Railroad Commission for permission to issue additional stock and bonds for the purposes indicated in the foregoing supplemental opinion, and to place into effect the rates mentioned in such supplemental opinion, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the Tracy Gas Company may, without formal authority from this Commission, file its proposed rates; that it should be permitted to issue additional stock in the amount of \$7,000. and additional bonds in the amount of \$9,000.00; that this application, insofar as it involves the issue of \$3,000.00 of stock and \$9,500.00 of bonds, should be denied without prejudice; that the money, property or labor to be procured or paid for by the issue of the stocks and bonds herein authorized, is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED AS FOLLOWS;--

1. Tracy Gas Company may issue and sell on or before May 1, 1928 at not less than par, \$7,000.00 of its common capital stock and at not less than ninety percent of their face value and interest, \$9,000.00 of its first mortgage six percent bonds. Of the proceeds realized from the sale of the stock, an amount not exceeding 17-1/2 percent of the par value of the stock sold may be used to pay expenses and commissions incident to the sale of such stock. The remainder of the proceeds obtained from the sale of the stock, and the proceeds realized from the sale of the bonds shall be used to pay the following expenses;--

Cost of laying gas mains under tracks of Southern Pacific Railroad Company on "C" Street, City of Tracy	\$200.00
Cost of furnishing and laying extra pipe over and above that provided for in the contract between Tracy Gas Company and E. A. MacGillivray for completing the belt line in the City of Tracy	2,817.50
To pay the cost of furnishing and laying pipe in the community north of and adjacent to the city limits of Tracy	4,912.50
To pay for office equipment, stenographic service, office rent, accountant's salary, telephone and postage	1,570.00
To pay State Corporation Tax	75.00
To pay attorney's fees	250.00
For additional working capital	3,853.39

2. That the supplemental petition filed on December 31st in the above entitled matter be, and the same is hereby, denied without prejudice, insofar as it involves the issue of \$3,000.00 of stock and \$9,500.00 of bonds.

3. That Tracy Gas Company may modify its construction contract, with E. A. MacGillivray and omit from such contract the items mentioned in the foregoing supplemental opinion, and deduct from the next contract payment \$23,610.00. The stock and bond proceeds which the Commission heretofore authorized Tracy Gas Company to use

to pay part of said construction contract price shall be used to acquire and install the items of equipment which the company is hereby permitted to omit from its contract.

4. The authority herein granted shall become effective when Tracy Gas Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

5. Tracy Gas Company shall keep such record of the issue, sale and delivery of the stock and bonds 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 8th day of February, 1928.

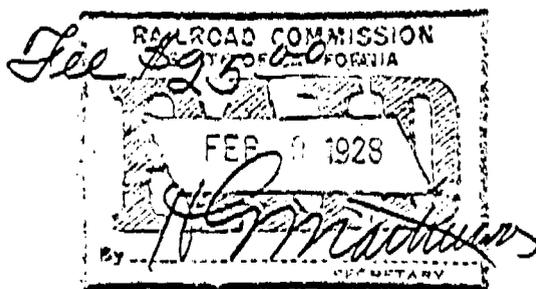
Leon Whitell

Channing

Thos. J. Lott

M. J. Linn

Commissioners.



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