

Decision No. 20845.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTH COAST GAS COMPANY, )  
a corporation, for a permit to exer- )  
cise franchise rights; for a certi- )  
ficate of public convenience and )  
necessity; and for a permit to sell )  
its capital stock. )

**ORIGINAL**

Application No. 15435

Geo. L. Hampton and W. C. Kennedy,  
for applicant.

BY THE COMMISSION:

OPINION

In the above entitled matter South Coast Gas Company asks the Railroad Commission to make its order;-

(1) Authorizing it to exercise the rights conferred upon it by a franchise, Ordinance No. 337, passed by the Board of Supervisors of San Diego County on October 1, 1928;

(2) Granting a certificate of public convenience and necessity to construct and maintain transmission lines and a distribution system to serve the Community of Carlsbad;

(3) Authorizing it to issue and sell to American States Public Service Company \$55,900.00 of its common capital stock for the purpose of financing the cost of said transmission lines and distribution system and of paying indebtedness of \$23,654.07;

(4) Authorizing it to place into effect in Carlsbad the same rates now established, or as may be hereafter established, by the Commission for the City of Oceanside.

South Coast Gas Company is a corporation organized under the laws of the State of California on or about March 18, 1927, with an authorized capital stock of \$200,000.00. Recently it has increased its total capital stock to \$800,000.00, divided into 6,000 shares of the par value of \$100.00 each, consisting of \$500,000.00 of common stock and \$100,000.00 of seven percent cumulative preferred stock. Heretofore the Commission, by Decision No. 18594, dated July 8, 1927, in Application No. 13871, authorized the company to exercise rights and privileges granted by Ordinance No. 312 of the City of Oceanside to construct and operate a gas plant in the City of Oceanside, and to issue and sell \$50,000.00 of common stock and \$63,500.00 of preferred stock to finance its construction costs. (Vol. 30, Opinions and Orders of the Railroad Commission of California, page 163.)

It appears that pursuant to the authority granted by Decision No. 18594, applicant constructed and now owns, operates and maintains a gas production and distribution system in Oceanside and has issued and outstanding the \$50,000.00 of common stock and the \$63,500.00 of preferred stock. All of the outstanding shares of stock, except the three shares held by directors, are owned by American States Public Service Company. The company, as of December 31, 1928, had no bonded or other indebtedness except \$30,741.60 of advances from American States Public Service Company and current liabilities aggregating \$2,961.56. In 1928, the first year of operations, the company reported revenues of \$27,971.21 and operating expenses of \$23,336.68, leaving a balance of \$4,634.53.

The present application shows that South Coast Gas Company desires to extend its system to the locality known as Carlsbad, an unincorporated community approximately six miles south of Oceanside, consisting of approximately 1700 inhabitants. To that end it has obtained from the County of San Diego a franchise, Ordinance 337, permitting it to lay and maintain pipes for the transmission and distribution of gas in this region. A copy of the ordinance is filed

as Exhibit "B" in this proceeding and the company in asking permission to exercise the rights and privileges granted thereby, has stipulated and agreed that it, or its successors or assigns, will never claim before the Railroad Commission, or any court or other public body a value for such rights and privileges in excess of the sum actually paid to the County of San Diego as a consideration for the granting of the franchise mentioned in the ordinance, which amount is stated to be \$25.00.

In support of the application the company reports that there is no public or other utility serving gas to the inhabitants of Carlsbad at the present time, and that the inhabitants are using other fuels for cooking, heating and other useful and necessary purposes and that it is, therefore, necessary and convenient that gas be distributed. It is of record that there are approximately 400 families in the community to whom it is possible to furnish gas and that of said 400 families, 200 have already signified their willingness to take gas by signing application for service.

It is estimated that in order to extend the transmission line from Oceanside to Carlsbad and to install a proper distribution system, it will be necessary to expend the sum of \$32,167.74, as set forth in some detail in Exhibit "E", attached to the petition. The testimony shows that the capacity of the present production plant is sufficient to meet the additional demands to be made by consumers in Carlsbad.

To finance the construction cost applicant proposes to issue and sell, at par for cash, 322 shares of its capital stock of the aggregate par value of \$32,200.00. It also proposes, at this time, to issue 237 shares to pay advances of \$23,654.07 made by American States Public Service Company and used for additions and betterments to its present properties made between May 1, 1928 and December 31, 1928, as shown in Exhibit "D". The additional \$55,900.00 of stock proposed to be issued will be purchased by American States Public Service Company.

O R D E R

South Coast Gas Company having applied to the Railroad Commission for an order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of \$55,900.00 of stock is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income.

THE RAILROAD COMMISSION HEREBY DECLARES that public convenience and necessity require and will require South Coast Gas Company to exercise the rights and privileges granted by Ordinance No. 337 of the County of San Diego and to construct, operate and maintain the gas transmission and distribution system referred to in the foregoing opinion.

IT IS HEREBY ORDERED that South Coast Gas Company be, and it hereby is, authorized to issue and sell at par for cash 559 shares of its common capital stock, of the aggregate par value of \$55,900.00, and to use the proceeds from the sale of 322 shares thereof to finance the cost of its proposed transmission and distribution system and from the sale of the remaining 237 shares to pay in part amounts advanced to it by American States Public Service Company and used in making additions and betterments.

IT IS HEREBY FURTHER ORDERED that South Coast Gas Company be, and it hereby is, authorized to place into effect for service in the Community of Carlsbad, the same rates, rules and regulations now established for the City of Oceanside and on file with the Commission.

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

- (1) Applicant shall keep such record of the issue 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.
- (2) The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 7<sup>th</sup> day of March, 1929.

Travis L. Lott  
Edmund  
Leon Whitell  
W. J. Linn  
Commissioners.