

Decision No. 21961

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SANTA MARIA GAS COMPANY,)
 for authority to issue and sell)
 One Million One Hundred Ninety-nine)
 Thousand Three Hundred (\$1,199,300.))
 Dollars per value of its common)
 capital stock.)

ORIGINAL
 Application No. 16136

LeRoy M. Edwards, by O. C. Sattinger,
 for applicant.

BY THE COMMISSION:

O P I N I O N

Santa Maria Gas Company asks permission to issue and sell at par \$1,199,300.00 par value of its common capital stock and use the proceeds for the purposes hereinafter stated.

Applicant is engaged in the business of purchasing, selling and distributing natural gas to the inhabitants of various cities and communities in the Counties of Santa Barbara and San Luis Obispo. It has an authorized stock issue of \$1,500,000.00, of which \$300,700.00 is now issued and outstanding. All the outstanding stock, except shares necessary to qualify directors, is owned by Pacific Lighting Corporation. It is reported that that company is now ready and willing to purchase immediately an additional \$1,000,000.00 par value of common capital stock of applicant and pay for the same in cash the par value thereof. It is also alleged that the Pacific Lighting Corporation is willing to purchase an additional \$199,300.00 par value of applicant's stock at par if, as and when the same is issued by applicant.

As of October 31, 1929, applicant reports its assets and liabilities as follows:-

ASSETS

Fixed capital.....	\$1,865,804.49
Tangible capital.....	\$1,823,935.93
Intangible capital.....	<u>41,868.56</u>
Cash.....	5,638.47
Accounts and notes receivable.....	180,034.87
Materials and supplies.....	87,881.02
Prepaid taxes, insurance and other deferred charges.....	<u>16,883.42</u>
Total Assets.....	<u>\$2,156,242.27</u>

LIABILITIES

Capital stock.....	\$ 300,700.00
Advances from affiliated companies.....	1,087,029.80
Accounts payable.....	59,067.89
Interest, taxes, accrued and miscellaneous accruals not due.....	25,762.57
Consumers deposits.....	14,950.82
Deferred credits.....	52,374.20
Reserves.....	431,025.92
Surplus.....	<u>185,331.07</u>
Total Liabilities...	<u>\$2,156,242.27</u>

In Application No. 14294, applicant reported its uncapitalized construction expenditures as of October 31, 1927, at \$94,932.68. A comparison of applicant's balance sheets as of October 31, 1927 and October 31, 1929 indicates an increase in applicant's fixed capital accounts of \$783,411.86. Adding the \$783,411.86 to the \$94,932.68 makes a total of \$878,344.54, of which \$108,900.00 was provided through the sale of the bonds authorized by the decision in Application No. 14294, leaving an uncapitalized balance of \$769,444.54.

It is of record that during 1929, the company redeemed its outstanding bonds amounting to \$411,000.00 face value and that it paid a \$50,000.00 note due to the Crocker First National Bank. The moneys necessary to finance the company's construction expenditures and redeem its bonds and pay its notes were obtained from the Pacific

Lighting Corporation and from the earnings of the company. As of October 31, 1929, the company was indebted to the Pacific Lighting Corporation in the amount of \$1,076,259.51. The testimony of R. E. Easton, president of Santa Maria Gas Company, shows that if the Commission authorizes the company to issue the stock covered in this application, \$1,000,000.00 of the same will be issued immediately and the proceeds used to pay \$1,000,000.00 of the indebtedness due the Pacific Lighting Corporation.

His testimony further shows that the company may have need for the proceeds to be realized from the sale of additional stock in the amount of \$199,300.00. The company has let a contract covering the construction of a 500,000 cu. ft. holder at a cost of \$57,000.00 and that it obligated itself to assist the Puritan Ice Company in the installation of equipment suitable to utilize natural gas as fuel, which will mean an expenditure of about \$60,000.00. In addition it will be necessary to increase its cash account through the reimbursement of the company's treasury because of earnings expended for fixed capital and provide itself with funds to pay for additions and betterments to be installed.

It is the company's intention to issue the \$199,300.00 of stock only in the event that its income from operation is not sufficient to enable it to make the necessary extensions and improvements to its system and meet its obligations. We are satisfied that in view of the company's investment of earnings in its properties and the obligations which it must meet, that the authorization of the issue of the \$199,300.00 of stock is warranted.

ORDER

Santa Maria Gas Company having asked permission to issue \$1,199,300.00 par value of its common capital stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Santa Maria Gas Company may, on or before June 30, 1930, issue and sell for cash at not less than par, \$1,199,300.00 par value of its common capital stock.

2. The proceeds from the sale of \$1,000,000.00 of the stock herein authorized to be issued and sold shall be used by Santa Maria Gas Company to pay indebtedness due the Pacific Lighting Corporation.

3. The proceeds from the sale of \$199,300.00 of stock shall be used by applicant to reimburse its treasury on account of earnings expended for additions and betterments and to pay the cost of additional properties.

4. Santa Maria Gas Company shall keep such record of the issue, sale and delivery of the stock herein authorized to be issued 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.

5. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 28th day of December, 1929.

Paul S. Lott

C. L. Lanning

Ernest S. Lott

Leon Whitell

W. J. Lann

Commissioners.