

LBM

Decision No. 22470.

TVN18180

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
COAST COUNTIES GAS & ELECTRIC COMPANY, )  
a corporation, for an order authoriz- )  
ing applicant to execute a mortgage )  
or deed of trust and to issue its first )  
mortgage gold bonds of the par value of )  
Four Million Dollars(\$4,000,000.00) )  
secured thereby. )

Application No. 16509

W. F. Williamson, Wallace & Vaughan,  
by R. L. Vaughan, for applicant.

BY THE COMMISSION:

O P I N I O N

Coast Counties Gas and Electric Company in this application requests an order authorizing it to execute a mortgage or deed of trust to secure the payment of bonds; to issue and sell at ninety-six percent of their face value and accrued interest, \$4,000,000.00 of 30-year five percent first mortgage gold bonds, the payment of which is to be secured by such mortgage or deed of trust, and to use the proceeds realized from the sale of said bonds, for the purpose of paying outstanding indebtedness, reimbursing its treasury and providing construction funds.

Coast Counties Gas and Electric Company is a California corporation engaged in the business of supplying electricity and gas as a public utility in the Counties of Santa Cruz, Monterey, Santa Clara and San Benito, and of supplying gas, as a

public utility in the County of Contra Costa. Its revenues and expenses from the operation of its business during the twelve months periods ending March 30th have been shown in financial statements filed with the Commission as follows:-

<u>I T E M</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>
Operating revenues.....	\$1,804,183.80:	\$1,931,311.29:	\$2,129,824.61
Operating expenses less depreciation.....	1,155,951.65:	1,244,963.28:	1,277,284.33
Net operating revenues	648,232.15:	686,348.01:	852,540.28
Nonoperating revenues...	70,037.56:	48,218.86:	30,447.22
Gross income .....	718,269.71:	734,566.87:	882,987.50
Depreciation.....	209,290.30:	224,159.56:	249,500.23
Balance.....	\$ 508,979.41:	\$ 510,407.31:	\$ 633,487.27

The company had outstanding on March 31, 1930, \$5,745,700.00 of stock, consisting of \$1,000,000.00 of common, \$1,000,000.00 of second preferred stock and \$3,745,700.00 of first preferred stock; \$1,221,100.00 of bonds and \$969,023.55 of advances from affiliated companies. Its assets and liabilities, as of March 31, 1930, are reported as follows:-

<u>A S S E T S</u>	
Fixed assets . . . . .	\$ 8,583,131.67
Current assets:	
Cash and deposits . . . . .	\$ 138,455.32
Accounts receivable . . . . .	355,203.78
Materials and supplies . . . . .	113,584.04
Prepayments . . . . .	2,911.24
Subscribers to capital stock . . . . .	3,925.00
Sinking funds and deposits . . . . .	594,079.38
Unamortized debt discount and expense . . . . .	30,473.71
Extraordinary deferred charges . . . . .	18,233.50
Miscellaneous deferred debits . . . . .	16,253.44
Discount on stock . . . . .	53,668.84
	955,578.17
<b>Total assets.....</b>	<b>\$10,251,418.81</b>
<u>L I A B I L I T I E S</u>	
Capital stock . . . . .	\$ 5,745,700.00
Capital stock subscribed . . . . .	4,141.00
Long term debt . . . . .	1,221,100.00
Due affiliated companies . . . . .	969,023.55
Current and accrued liabilities:	
Accounts payable . . . . .	\$ 111,023.59
Consumers' deposits . . . . .	20,843.75
Taxes accrued . . . . .	97,207.35
Interest accrued . . . . .	11,030.84
Dividends accrued . . . . .	11,865.00
Reserve for depreciation . . . . .	251,970.53
Other reserves . . . . .	1,496,992.52
Consumers' line extensions . . . . .	187,867.63
Miscellaneous credits . . . . .	53,192.95
Corporate surplus . . . . .	1,028.87
	320,401.66
<b>Total liabilities.....</b>	<b>\$10,251,418.81</b>

The amounts due affiliated companies represent sums borrowed on open account, bearing interest at the rate of six percent per annum, from Pacific Public Service Company. The long term debt consists of the following:-

Coast Counties Light and Power Company First 5's, due 1946, callable at 107.5 . . . . .	\$	670,000.00
Big Creek Light and Power Company First 4's, due 1947, callable at 100 . . . . .		217,000.00
San Benito Light and Power Company First 6's, due 1950, callable at 110 . . . . .		126,000.00
Contra Costa Gas Company First 6's, due 1954, callable at 102.5 . . . . .		<u>208,100.00</u>
Total.....	\$	<u>1,221,100.00</u>

Applicant, according to its petition, as a part of the consideration for the transfer to it of the properties of its predecessor companies, assumed and agreed to pay the above bonds. The bonds of Coast Counties Light and Power Company, Big Creek Light and Power Company and San Benito Light and Power Company were issued and were assumed by applicant prior to the effective date of the Public Utilities Act. The bonds of Contra Costa Gas Company were issued under authority granted by the Commission. Applicant now proposes to redeem and pay to the aforementioned bonds and likewise pay its indebtedness due Pacific Public Service Company.

It proposes to issue and sell at this time \$4,000,000.00 of five percent thirty-year bonds at 96 percent of face value and to use the proceeds, \$3,840,000.00, for the following purposes:-

1. To retire present bonds:		
Face value of bonds . . . . .	-\$1,221,100.00	
Premium required to call . . . . .	68,052.50	
Total . . . . .	\$1,289,152.50	
LESS: sinking funds . . . . .	26,968.12	
Balance.....	\$1,262,184.38	
2. To pay sums advanced by Pacific Public Service Company . . . . .	\$	969,023.55
3. To provide for construction work for 1930		1,224,395.39
4. To reimburse treasury and pay expenses of bond issue . . . . .		<u>384,396.68</u>
Total.....	\$	<u>3,840,000.00</u>

In a former application, No. 14209, filed November 9, 1927, the company requested permission to issue and sell \$400,000.00 of stock to reimburse its treasury and to finance permanently, in part, expenditures made for additions and betterments prior to September 30, 1927. In this proceeding, the company reports that between September 30, 1927 and March 31, 1930, its net expenditures for additions and betterments aggregated \$1,558,055.79, of which \$969,023.55 represents money obtained from Pacific Public Service Company and \$589,032.24 represents money provided from applicant's surplus earnings and depreciation reserve. In addition, the company reports its estimated construction expenditures for the balance of 1930 at \$1,224,395.39. The expenditures made prior to March 31, 1930 are set forth in Exhibit "1", and the estimated 1930 expenditures in Exhibit "B".

The Commission in general is familiar with applicant's construction program. It appears, however, upon further analysis of the evidence in this proceeding that there are included in applicant's proposed expenditures certain items for construction at Custine, Los Banos, Dos Palos and South Dos Palos. The company has never received from the Commission certificates of public convenience and necessity to serve these points. It has on file an application, No. 16535, to purchase the rights and properties of Consumers Gas Company, which, by Decision No. 21594, dated September 23, 1929, was granted a certificate, subject to the conditions therein stated, to operate gas systems in Los Banos and Custine and in the territory immediately adjacent thereto. To date the company has not complied with the conditions, and therefore the certificate has never become effective. Neither Consumers Gas Company nor applicant has been authorized to operate in Dos Palos and South Dos Palos. Unless and until the Commission authorizes applicant to extend its service to the localities herein authorized named, it should not use the proceeds from the sale of the bonds/ to fin-

ance construction work at those places.

Reviewing the record in this matter and considering the value of applicant's properties as disclosed in rate proceedings before the Commission, it appears to us that applicant's assets and earnings are ample to support a \$4,000,000.00 bond issue. However, because of the fact that some of applicant's outstanding bonds cannot be redeemed until November 1st, it may, because of duplicate interest charges, incur some loss in disposing of its bonds at this time. In the future we will not consider such loss, if any is incurred, as part of the cost of the money which applicant will realize through the sale of the \$4,000,000.00 of bonds.

The order herein will authorize applicant to use \$425,481.06 of the proceeds from the sale of bonds to reimburse its treasury because of earnings invested in its properties. It will also authorize applicant to use \$2,190,123.55 of the proceeds to pay indebtedness and \$1,224,395.39 of the proceeds to finance construction expenditures. If applicant desires to use proceeds obtained from the sale of its bonds to pay the premium which it may be required to pay on outstanding bonds and to pay expenses of its proposed bond issue, it will be required to pay the same out of the proceeds which it is authorized to use to reimburse its treasury.

Applicant has submitted a copy of its proposed deed of trust. If hereafter we will find the same to be in satisfactory form, we will enter a supplemental order authorizing its execution.

#### O R D E R

Coast Counties Gas and Electric Company having applied to the Railroad Commission for permission to execute a mortgage or deed of trust and to issue and sell \$4,000,000.00 of bonds, 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, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income; therefore,

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1930, at not less than 96 percent of their face value plus accrued interest, \$4,000,000.00 of first mortgage five percent 30-year gold bonds, and use the proceeds for the following purposes:-

- a. To reimburse its treasury because of earnings expended for capital purposes made prior to March 31, 1930...\$ 425,481.06
- b. To pay bonds and other indebtedness 2,190,123.55
- c. To pay estimated construction expenditures set forth in Exhibit "B" 1,224,395.39

provided that no proceeds shall be used to finance construction expenditures at Los Banos, Gustine, Dos Palos and South Dos Palos, unless and until the Commission has authorized applicant to extend its service to those localities.

The authority herein granted is subject to further conditions as follows:-

(1) Applicant shall keep such record of the issue and sale of the 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 Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

(2) The authority herein granted to issue bonds will become effective when applicant has paid the fee prescribed by

Section 57 of the Public Utilities Act, which fee is Two Thousand Three Hundred and Ninety-six(\$2,396.00) Dollars.

(3) Under the authority herein granted, no bonds may be issued or delivered until the Commission has authorized applicant to execute a mortgage or deed of trust to secure the payment of the aforesaid bonds.

(4) The premium which applicant may pay on its outstanding bonds and the loss which it may incur because of the duplicate interest charges, to which reference has been made, shall not hereafter be urged as a part of the cost of the money which applicant will obtain through the issue of the bonds herein authorized.

DATED at San Francisco, California, this 23<sup>d</sup> day of May, 1930.

*Clarence*  
*Emmings*  
*M. J. Carr*  
Commissioners.

Fee \$2,396 <sup>00</sup>/<sub>100</sub>  
RAILROAD COMMISSION  
MAY 23 1930  
*A. M. Johnson*  
Fee # 28052