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Decision No. 10124

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of WESTERN STATES GAS AND ELECTRIC)
COMPANY to issue preferred stock) Application Number 7529.
of the par value of \$131,000.00.)

ORIGINAL

Chickering and Gregory,
by Allen L. Chickering, for Applicant.

MARTIN, COMMISSIONER.

O P I N I O N

WESTERN STATES GAS AND ELECTRIC COMPANY asks permission to issue and sell \$131,000.00 par value of its 7% cumulative preferred stock to reimburse its treasury and pay indebtedness incurred by it on account of payments into its sinking funds. The company intends to sell the stock at par but asks permission to use not exceeding 10% of the proceeds to pay commissions and expenses incident to the sale of the stock.

Applicant as of December 31, 1921 reports \$3,231,500.00 of common and \$3,017,000.00 of its preferred stock outstanding.

Applicant has two bond issues; one being the American River Electric Company 5% bonds; the other, Western States Gas and Electric Company first and refunding 5% bonds. The American River Electric mortgage secures the payment of an authorized issue of \$1,000,000.00 of bonds. All of the bonds have been issued, but there are now held by applicant or by the trustee under the mortgage, bonds of the par value of \$793,000.00, leaving \$207,000.00 of bonds in the hands of the public.

The first and refunding mortgage of the Western States Gas and Electric Company provides for an authorized bond issue of \$10,000,000.00. Under this mortgage there have been issued bonds in the amount of \$7,389,500.00. Of the issued bonds, \$1,724,000.00 are deposited with the Union Trust Company of San Francisco to secure the payment of \$1,199,000.00 par value of applicant's 6½% gold notes; \$1,387,000.00 of the bonds have been redeemed through the operation of the sinking fund, leaving \$4,278,500.00 of bonds outstanding. In addition to the bonded indebtedness to which reference has been made, applicant has outstanding \$1,199,000.00 of 6½% gold notes due in 1923 and \$2,164,000.00 of 5% notes due in 1927.

Applicant reports that since December 1, 1919 it has paid into the sinking fund of the Western States Gas and Electric Company mortgage the sum of \$473,716.25, and that on account of such payment, bonds in the amount of \$594,000.00 have been redeemed. It further reports that since December 1, 1919 it has paid into the sinking fund of the American River Electric Company mortgage, \$68,950.00, and that on account of such payment, bonds in the amount of \$68,000.00 have been acquired and are being held alive in the sinking fund, as provided for by the mortgage. The total bonds redeemed or acquired is reported at \$662,000.00. All of the bonds bear interest at the rate of 5% per annum. Through their redemption or acquisition, applicant's interest charges have been reduced by the amount of \$33,100.

The Commission has heretofore authorized applicant to issue \$309,400.00 of preferred stock to refund, in part, sinking fund payments since December 1, 1919. Applicant now asks permission to issue \$131,000.00 of preferred stock for a similar purpose. Adding the \$131,000.00 to the \$309,400.00 makes a total of \$440,400.00 of stock issued or to be issued, which amount is \$221,600.00 less than the bonds redeemed or acquired through sinking fund payments. Neither this or the previous orders of the Commission permit of the refunding of applicant's entire sinking fund payments.

Permission herein granted to issue stock to refund sinking fund payments in no way commits the Commission to a policy of granting in the future, permission of a similar nature either to applicant or any other public utility.

Applicant requests permission to expend for the payment of commissions and expenses incident to the sale of the stock, an amount not exceeding 10% of the par value of the stock sold. It agrees to keep the expenses at a minimum. Heretofore, applicant's maximum stock sale expense, according to the evidence, has been about 6%. The order herein will limit the expenses that may be incurred to sell the \$131,000.00 of stock to 6%.

I herewith submit the following form of order:-

O R D E R

WESTERN STATES GAS AND ELECTRIC COMPANY, having applied to the Railroad Commission for permission to issue and sell \$131,000.00 of 7% cumulative preferred 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 this application should be granted subject to the conditions of this order:

IT IS HEREBY ORDERED that Western States Gas and Electric Company be, and it is hereby, authorized to issue and sell for cash at not less than par, on or before December 31, 1922, \$131,000.00 of its 7% cumulative preferred stock.

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

- 1... Of the proceeds realized from the sale of the stock, an amount not exceeding 6% of the par value of the stock sold, may be used to pay expenses and commissions or brokerage fees incurred in connection with the sale of the stock. Any portion of the 6% not needed for the purposes mentioned, together with all

remaining proceeds from the sale of the stock shall be used by applicant to reimburse its treasury, because of surplus earnings used to meet sinking fund payments or to pay indebtedness incurred in making such sinking fund payments.

2.....Western States Gas and Electric Company 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 in so far as applicable, is made a part of this order.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 27th day of February, 1922.

W. B. Brundage
H. D. Loveland
Dwight Martin

Commissioners.