

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

----- ORIGINAL

Decision No. 1205

In the matter of the application of J. R. Anderson to sell a gas plant and distributing system in the city of Oakdale; and of Oakdale Gas Company to purchase the same, to mortgage its property and to issue stocks and bonds.

Application No. 829.

J. R. Anderson for applicant.

GORDON, Commissioner.

OPINION.

Mr. J. R. Anderson, applicant herein, has constructed a gas plant and distributing system in the city of Oakdale and now proposes to sell this property to the Oakdale Gas Company. Oakdale Gas Company, applicant herein, was incorporated on July 23, 1913. It asks for authority to purchase the gas plant properties from Mr. J. R. Anderson, to mortgage these properties, and to issue to Mr. Anderson its stocks and bonds for the system thus acquired. Mr. Anderson and Oakdale Gas Company join in the application and ask that authority be granted by which Oakdale Gas Company may issue to said Anderson \$30,000 of its bonds and \$42,000 of its stock. In addition, Oakdale Gas Company is to assume accounts payable to the amount of \$960.41.

The gas plant in question is now in active operation and was serving 135 consumers at the time the application herein was filed. It was completed in the summer of 1913.

In the application Mr. Anderson estimates the cash value of the plant to be \$45,000 and the construction cost \$38,540.62. The construction investment as shown by the books is \$38,267.34, but in this total have been included an appreciation of land value, an extra profit on machinery and the

cost of appliances in the sum of \$3,843.25, leaving as the cost of the plant proper, the sum of \$34,424.09.

Oakdale Gas Company was incorporated on July 23, 1913 with an authorized capital stock of \$75,000, divided into 75,000 shares of the par value of \$1 per share.

Oakdale Gas Company has an authorized bond issue of \$50,000, consisting of bonds in the denomination of \$500, dated October 1, 1913 and maturing October 1, 1938, carrying 6 per cent interest. No bonds have been issued.

I see no reason why Mr. Anderson should not be authorized to sell and Oakdale Gas Company authorized to purchase this plant. A corporation can operate a utility of this sort to better advantage than can an individual. I recommend, therefore, that this portion of the application be granted.

I also recommend that Oakdale Gas Company be given authority to mortgage its property for the purpose of issuing these bonds. I am not able, however, to concur in the view of the applicants that it should give in the purchase of these gas properties \$30,000 of its bonds and 42,000 shares of its capital stock. I recommend as a more reasonable basis of exchange that Oakdale Gas Company be authorized to issue \$25,000 of its bonds and \$15,000 of its capital stock.

I am not able at this time to approve the trust deed under which applicant proposes to issue its bonds. This deed of trust from applicant to Security Trust & Savings Bank of Los Angeles provides for a sinking fund amounting to 5 per cent of outstanding bonds annually, beginning in 1918, and for the retirement of bonds for sinking fund purposes at 103 per cent of their par value. I believe this sinking fund unduly heavy, both in its annual requirement and in the price that must be paid for the bonds.

I suggest that applicant modify these provisions and submit its amended trust deed to this Commission for approval. The authority to issue the bonds will be necessarily conditioned upon the subsequent approval by the Commission of the amended trust deed.

I submit the following form of order:

O R D E R

J. R. Anderson having applied to this Commission for authority to sell a gas plant and distributing system in the city of Oakdale, and Oakdale Gas Company having applied to this Commission for authority to purchase the same, and Oakdale Gas Company having applied to this Commission further to mortgage its property and to issue \$30,000 of its first mortgage 6 per cent 25 year bonds and 42,000 shares of capital stock of the par value of \$1 per share to said J. R. Anderson in payment for said gas properties, and a hearing having been held;

IT IS HEREBY ORDERED that J. R. Anderson be given authority to sell his gas plant and distributing system in the city of Oakdale to Oakdale Gas Company, and

IT IS FURTHER ORDERED that Oakdale Gas Company be given authority to mortgage its property.

It appearing further that the purposes for which Oakdale Gas Company proposes to issue its stock and bonds are not reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Oakdale Gas Company be given authority to issue \$25,000 of its first mortgage 6 per cent 25 year bonds and \$15,000 of its capital stock of the par value of

\$1 per share, said bonds and said stock to be issued upon the following conditions and not otherwise:

1. Said bonds and said stock shall be issued to Mr. J. R. Anderson in exchange for a valid title to the properties comprised in the gas plant and distributing system in the city of Oakdale heretofore referred to and described in Exhibit "D" in the application herein to which reference is hereby made.
2. Said bonds shall be issued only after this Commission shall have, by formal order, approved the mortgage or deed of trust securing said bonds.
3. Oakdale Gas Company shall report to this Commission the completion of the transaction herein authorized and the issuance of its stocks and bonds herein authorized within 30 days after said transaction shall have been completed and said stocks and bonds issued.
4. The authority herein given to issue said stocks and said bonds shall apply to such stocks and and such bonds as shall have been issued on or before June 30, 1914.
5. The authority herein given is conditioned upon the payment by Oakdale Gas Company of such fees as may be required under the Public Utilities Act.

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 16th day of January, 1914.

Railroad Commission State of California

Feb 25 1914
JAN 19 1914
H. C. Anderson
BY: *H. C. Anderson*
Assistant Secretary.

H. C. Anderson
W. J. Thelen
Commissioners.

Commissioners.