

ORIGINAL

Decision No. 1288

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of CENTRAL CALIFORNIA GAS COMPANY for authority to issue bonds of the face value of \$25,000, common stock of the par value of \$12,500 and preferred stock of the par value of \$1,300.

Application No. 886.

C. S. S. Forney for applicant.

THELEN, Commissioner.

OPINION.

This is an application for authority to issue bonds of the face value of \$25,000, common stock of the par value of \$12,500 and preferred stock of the par value of \$1,300 to pay obligations incurred for expenditures made for the acquisition of property and the construction, completion, extension and improvement of applicant's facilities from December 1, 1912 to January 5, 1914.

During the year from December 1, 1912 to November 30, 1913, applicant claims to have made additions to its capital account as follows:

Table with 2 columns: Name of Account, Amount. Lists various equipment and infrastructure costs totaling \$162,814.50.

In its supplemental petition, filed January 8, 1914, applicant sets forth that during the month of December, 1913, it added to capital the additional sum of \$3,493.11, thus making a total of \$166,307.60 expended for capital purposes between December 1, 1912 and January 5, 1914. During the same period, applicant realized from the sale of preferred stock and bonds authorized by this Commission the sum of \$132,500.00. The remaining sum of \$33,807.60 is represented by the following obligations:

Promissory note, payable to International Savings and Exchange Bank of Los Angeles, dated August 6, 1913, payable one day after date, interest 6%, amount.....	\$ 6,000.00
Promissory note, payable to Baker Iron Works, dated November 24, 1913, payable 90 days after date, interest 6% after maturity, amount.....	\$ 3,207.83
Promissory note, payable to Anglo-California Trust Company of San Francisco, dated December 19, 1913, payable 90 days after date, interest 6%, amount.....	\$ 5,000.00
Promissory note, payable to W. F. Boardman, dated December 19, 1913, payable one day after date, interest 6%, amount.....	\$ 5,000.00
Accounts payable.....	<u>\$ 13,599.77</u>
Total.....	\$ 32,807.60

To pay these obligations, applicant now asks authority to issue bonds, and preferred and common stock.

Applicant now has outstanding first mortgage twenty year 6 per cent gold bonds of the face value of \$250,000.00. Applicant's deed of trust or mortgage provides that bonds may be issued up to not to exceed 75 per cent of the actual cash value of improvements and also that bonds may be certified by the trustee only when the company's net earnings have been for twelve months at least twice the interest on the bonds outstanding, as well as the bonds which it is desired to issue.

A financial statement filed by applicant in this proceeding shows that for the year ending January 31, 1914, applicant's gross revenue, operating expenses and net earnings have been as follows:

Gross earnings.....	\$ 66,996.85
Operating expenses, maintenance, Taxes.....	35,471.00
Net earnings (before payment of interest and sinking fund).....	31,525.85

This sum of \$31,525.85 is twice the annual interest, at 6 per cent, on \$262,715.40, which amount of bonds can alone be issued at the present time under the foregoing provision with reference to net earnings. As bonds of the face value of \$250,000 have already been issued, applicant can now issue additional bonds only of the face value of \$12,000. When applicant's earnings have increased sufficiently, applicant may file a supplemental petition in this proceeding asking authority to issue the remaining \$13,000 of bonds now asked for. Applicant expects to be able to sell its bonds at 90 per cent of their face value plus accrued interest.

Applicant asks authority also to sell 125 shares of common stock at 80 per cent of their par value and 13 shares of preferred stock at 96 per cent of their par value, to realize the total sum of \$11,248.00. Applicant states its belief that it will be able to secure for this stock the amounts specified. If issued, applicant will have outstanding a total of \$200,000 in preferred stock and \$62,500 in common stock.

I find that the purposes for which the proceeds of the stock and bonds hereinafter authorized to be issued are to be used are not reasonably chargeable to operating expenses or to income and recommend that the application be granted as modified in the order.

I submit herewith the following form of order:

O R D E R .

CENTRAL CALIFORNIA GAS COMPANY having applied to the Railroad Commission for an order authorizing the issue by said company of bonds of the face value of \$25,000, said bonds to be payable on the first day of July, 1932, and to bear interest at the rate of six per cent per annum, payable semi-annually, and secured by deed of trust or mortgage upon all the property of the company, and also of preferred stock of the par value of \$1,300 and common stock of the par value of \$12,500, and a public hearing having been held upon said application and the Commission finding that the purposes for which the proceeds from the issue of said stock and bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS HEREBY ORDERED that the Railroad Commission hereby authorizes the issue by Central California Gas Company of \$12,000 face value of principal of bonds of said company, maturing the first day of July, 1932, bearing interest at six per cent per annum, payable semi-annually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the first day of July, 1912, made and executed by said Central California Gas Company to Los Angeles Trust and Savings Bank, as trustee, said bonds to bear the numbers 251 to 262, inclusive, and also its preferred stock of the par value of \$1,300 and its common stock of the par value of \$12,500, upon the conditions following and not otherwise, to-wit:

1. Central California Gas Company shall sell said bonds so as to net said company in cash not less than 90 per cent of their face value plus accrued interest, said preferred stock so as to net in cash not less than 96 per cent of its par value and said common stock so as to net in cash not less than 80 per cent of its par value.

2. Central California Gas Company shall apply the proceeds from the sale of said stock and bonds only to the purpose of paying the following promissory notes and accounts payable:

Promissory note, payable to International Savings and Exchange Bank of Los Angeles, dated August 6, 1913, payable one day after date, interest 6%, amount.....	\$ 6,000.00
Promissory note, payable to Baker Iron Works, dated November 24, 1913, payable 90 days after date, interest 6% after maturity, amount.....	\$ 3,207.83
Promissory note, payable to Anglo-California Trust Company of San Francisco, dated December 19, 1913, payable 90 days after date, interest 6%, amount \$	5,000.00
Promissory note, payable to W. F. Boardman, dated December 19, 1913, payable one day after date, interest 6%, amount.....	\$ 5,000.00
Accounts payable.....	<u>\$ 13,599.77</u>
Total.....	\$ 32,807.60

3. Central California Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock and bonds hereby authorized to be issued and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said stock and bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with the provisions of General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby given to issue stock and bonds shall apply only to stock and bonds issued by applicant on or before July 1, 1914.

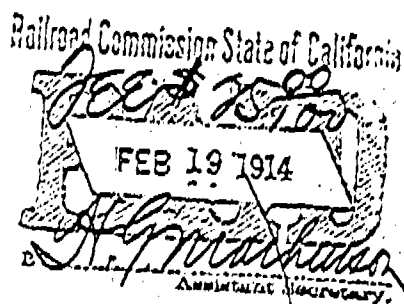
5. This order, in so far as it authorizes the issue of bonds, shall not become effective until the fee specified in Section 57, as amended, of the Public Utilities Act has been paid.

IT IS FURTHER ORDERED that when applicant can show the necessary net income with reference to the remaining \$13,000 face value of bonds herein applied for but not now authorized,

applicant may file a supplemental petition in this proceeding requesting authority to issue said additional bonds.

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 17th day of February, 1914.



A. S. ...

Max Thelen

Edwin O. Edgerton

Commissioners.