ORIGINAL

Decision No. 162

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 162

In the Matter of the Application of SANTA MARIA GAS AND POWER COMPANY for an order authorizing the issue of bonds of the face value of $50,000.

Application No. 126.

Allen Chickering and Paul M. Gregg for applicant.

Thelen, Commissioner.

OPINION.

This is an application of Santa Maria Gas and Power Company for an order authorizing an issue of bonds of the face value of $50,000, of which the proceeds are to be used for the purposes hereinafter specified.

Applicant secures natural gas from the Santa Maria oil fields in Santa Barbara County under leases from the Union Oil Company of California, the Pinal Oil Company and the Brookshire Oil Company and at present supplies the same to the cities or towns of Santa Maria, Betteravia and Guadalupe. Applicant's authorized capital stock is $250,000.00, divided into 2500 shares of the par value of $100.00 each. Of this amount, 500 shares were issued as fully paid up in consideration of certain real estate, rights-of-way and franchises and $12683.98 in cash and a second 500 shares were issued in pursuance of a resolution of the stockholders passed on March 13, 1912 in return for payments of $10 per share and promises to pay the remaining $90 in installments upon call of the board of directors, calls not to be made to exceed $10 per share in any one year subsequent to March 15, 1912. Applicant's property is subject to trust indenture dated April 15, 1907 to Title Guarantee and Trust Company, to secure an authorized bonded indebtedness of $250,000, evidenced by twenty-year six per cent bonds of the denomination of

$500.00 each, interest payable semi-annually. Of the bonds so authorized, bonds of the face value of $30,000 have heretofore been issued and are now outstanding. Applicant claims that its property, apart from rights-of-way and franchises, cost $127,624.28. Against this property there are outstanding bonds of the face value of $ 30,000, as aforesaid, bills payable in the amount of $17,500, accounts payable in the amount of $2,500 and meter deposit account amounting to $353.50.

Applicant now asks for an order authorizing the issue of bonds of the face value of $50,000, which bonds applicant propose to sell at par. Arrangements have been practically perfected for the sale of all of these bonds at par. In case any of the bonds cannot be disposed of at par, applicant asks leave to use them as collateral to secure the remaining funds necessary for the purposes hereinafter specified. The purposes for which the proceeds of these bonds are to be used are to construct a pipe line north from the Santa Maria River through the towns of Nipomo and Berros to Arroyo Grande, with distributing systems and service connections in each of said three towns; also to erect an additional compressor and engine power at the applicant's station in the Santa Maria Oil fields; also to refund a portion of applicant's floating indebtedness. The amounts of money necessary for these purposes are in greater detail as follows:

(a) Pipe line and distributing system.

10 miles of 4 inch pipe @ 27½¢ with 5¢ additional for laying----------------	$17,160.00
5 miles of 4 inch pipe @ 29¢ with 5¢ additional for laying----------------	8,976.00
Distributing system with service connections in Nipomo and Berros--------	1,000.00
Distributing system with service connections in Arroyo Grande------------	5,000.00
	$32,136.00
To be raised from other sources-----------	2,136.00
To be raised from sale of bonds-----------	$30,000.00

(b) Compressor equipment.

150 horse power engine----------------	$ 5,400.00
Freight on above -------------------	600.00
Sullivan two stage class W.J. 16-10-14 compressor--------------	1,865.00
Freight on above--------------------	135.00
Concrete foundations for engine and compressor, galvanized iron building, belting, pipe connections, etc.,	2,000.00
	$10,000.00

It is the intention to install this equipment in the oil fields and it will be powerful enough not merely to drive the natural gas to Arroyo Grande but also beyond, if this business should develop as expected.

(c) Refunding of existing obligations.

To refund one day note dated February 19,1912, at 6% payable to Commercial Bank of San Luis Obispo---------------------	$ 7,500.00
To refund one day note dated Nov. 20,1911, at 6%, payable to Thos. B. Adam and R. E. Easton----------------------	2,500.00
	$10,000.00

The proceeds of the foregoing notes were used to build what is known as the River Line, extending northerly from Santa Maria to the Union Oil Company's heating plant and for other extensions and betterments.

Applicant has heretofore secured the necessary franchises from the counties of Santa Barbara and San Luis Obispo, and on July 17, 1912, was awarded a franchise in the City of Arroyo Grande, which franchise is the subject of Application No.130 before this Commission.

I find that the amounts of money specified in the foregoing estimates are reasonably necessary for the purposes therein specified, that such purposes are proper and not in whole or in part reasonably chargeable to operating expense or to income, and that the amount of bonds as to which this Commission's permission is asked is reasonably necessary to raise the funds to carry out said purposes, and I accordingly recommend that the issue of bonds be authorized as prayed for.

I find that applicant should be commended for the thoroughness and fullness with which it has set forth in its application the facts on which this Commission is to base its decision.

Applicants will find that a full and frank disclosure of their affairs will not merely expedite this Commission's decisionsbut will also materially aid the Commission in rendering decisions which shall be wise and just for all concerned.

I submit herewith the following form of order.

O R D E R.

Application having been made to the Railroad Commission of the State of California by SANTA MARIA GAS AND POWER COMPANY for an order authorizing the issue by said company of bonds in the amount of fifty thousand ($50,000) dollars, face value, said bonds to be payable on the fifteenth day of April, 1927, and to bear interest at six (6%) per cent per annum, payable semi-annually and secured by a trust deed or mortgage upon all the property of the company, and a hearing having duly been held upon said application, and it appearing to the Commission that the money to be derived from the sale of said bonds is necessary to and reasonably required by said company for the acquisition of property, the construction, completion, extension and improvement of its facilities and the discharge and lawful refunding of its obligations, as hereinafter in greater detail specified, and that the purposes for which said moneys are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED AS FOLLOWS:

(1) The Santa Maria Gas & Power Company is hereby authorized to issue one hundred (100) bonds of the face value of five hundred ($500) dollars each, bearing the numbers 61 to 160 inclusive, or so many thereof as may be necessary for the purposes hereinafter specified maturing the 15th day of April, 1927, redeemable at any time after the 15th day of April 1912, at $525 for each bond of the face value of $500, and all accrued interest, and to bear interest at six (6%) per cent per annum, payable semi-annually, under and in pursuance of the terms of that certain trust indenture or mortgage heretofore and

on the 15th day of April, 1907, made and executed by the said Santa Maria Gas & Power Company to Title Guarantee & Trust Company, as trustee, subject to the conditions following, and not otherwise, to-wit:

(a) Santa Maria Gas & Power Company shall sell the bonds hereby authorized so as to net the said company not less than par besides interest accrued thereon. If applicant shall desire to utilize such bonds or a portion thereof as collateral to secure the repayment of moneys to be borrowed, applicant may do so after having secured this Commission's consent on verified letter stating the facts: but in such event, where such bonds or any of them shall have been released by the payment of said moneys or any portion thereof, they shall not again be used by applicant without first having applied for and secured this Commission's consent thereto.

(b) The proceeds from the sale of said bonds shall be applied to the following purposes only:

For the acquisition of property and the construction, completion, extension and improvement of facilities, described as follows: 15 miles of pipe line, and distributing system and service connections within Nipomo, Berros and Arroyo Grande-------- $30,000.

For the acquisition of property and the construction, completion, extension and improvement of facilities, described as follows: compressor equipment, including gas engine, compressor, concrete foundations, galvanized iron buildings, belting and pipe connections-------------------------- $10,000.

For the discharge or refunding of obligations incurred for the acquisition of property, and the construction, completion, extension and improvement of facilities, as said obligations are set forth in the opinion which precedes this order------------------------------------- $10,000.

(2) Applicant shall keep separate, accurate and true accounts showing the disposition made of every bond hereby authorized to be issued and showing the receipt and application in

detail of the proceeds of each such bond and on or before the 25th day of each month applicant shall make a verified report to the Commission stating the sale or other disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys and in these and all other respects applicant shall comply fully with the Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

(3) The authority hereby given to issue bonds shall apply only to bonds issued by applicant prior to the 30th day of June, 1913.

(4) The effectiveness of this order is conditioned upon the payment by applicant of the minimum fee prescribed by Section 57 of 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 30th day of July, 1912.

H D Loveland

Alex Gordon

Max Thelen

Edwin O. Edgerton

Commissioners.