

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application)	
of Western States Gas & Electric)	
Company for authority to issue)	Application No. 1303.
three year 6 per cent notes.)	

LOVELAND, Commissioner.

Allen Chickering, for applicant.

O P I N I O N

Western States Gas & Electric Company, operating in Stockton, Eureka and Richmond, California, filed its application herein on August 29, 1914, asking authority to issue \$1,050,000 of its 6 per cent three year notes. Subsequently applicant modified its request to an issue of \$900,000 of notes.

It is proposed by applicant to issue these notes under an indenture providing for a total issue of \$1,500,000. The notes are to be secured by an indenture providing that no additional mortgage shall be placed upon the properties of Western States Gas & Electric Company which does not give participation to the notes therein proposed to be issued. The notes are to be dated October, 1914 and to mature October, 1917. They will be callable September 1, 1916 at 101 per cent and at any interest payment date thereafter at 100½ per cent of the principal.

The indenture provides for an issue of \$900,000 of notes forthwith. It further provides that the remaining \$600,000 of notes shall be issued only when the earnings of the company, after the payment of bond interest, are three times the interest required for the notes outstanding and such new notes as the company may propose to issue.

At the hearing in this case applicant submitted a statement to the effect that its net earnings for the fiscal year ending June 30, 1914 amounted to approximately \$239,387.09.

It appears that the applicant herein, under the terms of its mortgage, may issue bonds for only 75 per cent of the cost of additions and betterments. The remaining 25 per cent has been financed to a large extent through short term notes now appearing in the form of a floating indebtedness.

Applicant proposes to sell the \$900,000 of notes at 92½ per cent of par and proposes to apply the proceeds as follows:

Payment of floating indebtedness	\$509,000.00
Payment of open accounts,	31,387.65
Additions and betterments to applicant's property during the second half period of the calendar year 1914,	135,000.00
Working capital,	<u>120,000.00</u>
Total,	\$795,387.65

Applicant's proposal to issue notes for the purpose of working capital depended to a large extent upon suspense items, the exact status of which has not been determined to my complete satisfaction. I shall therefore deny the portion of the application pertaining to the working capital without prejudice. The applicant may at some future time bring this matter before the Commission with greater detail, for consideration.

The new construction for which the applicant proposes to use the proceeds from the notes, includes a new street lighting system for Stockton, and general construction work in Richmond and Eureka.

I recommend that the application be granted as to the issue of these notes to take care of applicant's floating indebtedness, open accounts, and for construction purposes during the second half of the year 1914.

I therefore submit the following form of order:

ORDER

Western States Gas & Electric Company having applied for authority to issue \$900,000 of three year 6 per cent promissory notes under the terms of the indenture filed with this Commission and marked "Exhibit 3",

And a hearing having been held and it appearing that the purposes for which applicant proposes to issue \$731,000 of said notes are not in whole or in part chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Western States Gas & Electric Company be given authority and it is hereby given authority to issue \$731,000 of its three year 6 per cent promissory notes under the terms of its trust indenture executed between Western States Gas & Electric Company and Guaranty Trust Company of New York and William C. Cox, a copy of which has been filed by the applicant herein in connection with this application and marked "Exhibit 3", to which reference is hereby made.

The authority herein given is given upon the following conditions and not otherwise:

(1) Applicant shall sell the notes herein authorized to be issued at a price not less than 92½ per cent of the face value plus accrued interest.

(2) The proceeds from the sale of said notes shall be used by the applicant for the following purposes:

(a) Payment of floating indebtedness as follows:

No.	Date	Due	Rate	Payee	Amount
29	5-23-13	On Demand	6%	Seaboard National Bank	\$ 11,000.00
60	4-13-14	8-13-14	4½%	H.M. Byllesby & Company	15,000.00
62	12-10-13	11-10-14	7%	Standard Gas & Elec. Co.	1,000.00
65	5- 1-14	7-29-14	6%	Standard Gas & Elec. Co.	100,000.00
66	6- 1-14	5- 1-15	7%	W.S.G. & E. Co. of Delaware	232,100.00
67	6- 1-14	5- 1-15	7%	W.S.G. & E. Co. of Delaware	108,900.00
71	12-10-13	11-10-14	7%	Standard Gas & Elec. Co.	11,000.00
72	6-11-14	12-11-14	6%	H.M. Byllesby & Company	5,000.00
73	6-11-14	12-11-14	6%	H.M. Byllesby & Company	10,000.00
74	6-11-14	12-11-14	6%	H.M. Byllesby & Company	<u>15,000.00</u>
Total					\$509,000.00

(b) For the payment of applicant's open account to Standard Gas & Electric Company \$ 31,386.65

(c) For additions and betterments to applicant's plant, in accordance with a summary of said list of additions and betterments filed by Western States Gas & Electric Company and marked "Exhibit 2", excluding \$10,000 for preliminary work on a new unit on the American River plant, which applicant has decided to postpone, \$135,000.00

Total \$675,386.65

(3) Before applicant shall expend any of the proceeds of the notes herein authorized to be issued for additions and betterments to its properties, it shall file with this Commission a detailed statement of such additions and betterments.

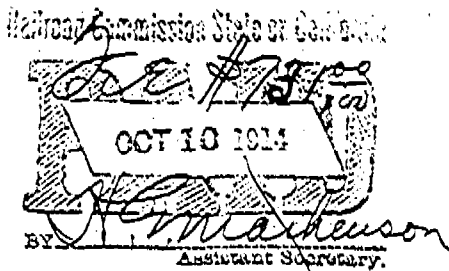
(4) Western States Gas & Electric Company shall keep separate, true, and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the notes hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein given shall apply to such notes as shall have been issued on or before June 30, 1915.

(6) The authority herein given is conditioned upon the payment of the fee prescribed 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 6th day of October, 1914.



H. D. Loveland

Alex Gordon

Edwin O. Edgerton

Commissioners.

See App. 1450. Dec. 2004. Changing above authorization. (70)