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Decision No. ✓

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Decision No. 878

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of :
CONTRA COSTA GAS COMPANY :
for authority to issue stocks and : Application No. 1318.
bonds, and of S. Waldo Coleman to :
transfer franchises to CONTRA COSTA :
GAS COMPANY. :

GORDON, Commissioner.

A.A. Van C. Torchiana for Applicant.

O P I N I O N.

This is an application by CONTRA COSTA GAS COMPANY for authority to issue 611-1/2 shares of its capital stock of the par value of $100.00 per share, and $109,000.00 of its 40-year six per cent. first mortgage bonds; and of S. Waldo Coleman to transfer certain franchises to CONTRA COSTA GAS COMPANY.

Mr. S. Waldo Coleman is the owner of five franchises for the operation of a system of gas plants and the distribution and sale of gas in Contra Costa County and in the following towns of said county:- Concord, Martinez, Pittsburg, and Antioch. Mr. Coleman now proposes to transfer these franchises to Contra Costa Gas Company.

Contra Costa Gas Company was incorporated on April 24, 1914, for the purpose of operating a system of gas plants in Contra Costa County. It has an authorized issue of 2500 shares of capital stock of the par value of $100.00 per share, or a total par value of $250,000.00. It has an authorized bonded indebtedness of $500,000 to be secured by a mortgage and deed of trust to the Mercantile Trust Company of San Francisco, under which provision is made for the issue

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of bonds to run for forty years and to carry interest at six per cent. per annum.

Mr. Coleman will be the President and General Manager of CONTRA COSTA GAS COMPANY. He proposes to build a central gas plant at Pittsburg, Contra Costa County, with transmission lines to Antioch, Concord and Martinez. He estimated the total cost of the system at $145,420.00. This estimate was submitted in detail as Exhibit "B" of the application herein, a summary of which follows:-

Gas plant at Pittsburg,	$30,370.00,
Transmission line from Pittsburg to Antioch,	4,800.00,
Transmission line from Pittsburg to Concord,	17,280.00
Transmission line from Concord to Martinez,	8,567.00
Pressure Station at Martinez,	11,050.00
Pressure Station at Concord,	1,400.00
Pressure Station at Antioch,	1,400.00
Distribution system at Concord,	8,897.00
Distribution system ay Antioch,	9,990.00
Distribution system at Martinez,	15,368.00
Distribution system at Pittsburg,	16,038.00
Tools and Equipment,	1,290.00
Engineering contingencies, etc.,--approximately 15 per cent of above,	18,970.00
Total,	$145,420.00
To this amount should be added the cost of obtaining the franchises as originally purchased by Mr. Coleman,	$ 1,600.00
GRAND TOTAL,	$147,020.00.

CONTRA COSTA GAS COMPANY now makes application to this Commission for authority to issue its stock and bonds as follows:

20 shares of stock to S. Waldo Coleman on the basis of $80.00 per share to purchase the five franchises heretofore referred to for the cost thereof to Mr. Coleman,..... $ 1,600.00

591½ shares of stock to be sold at $80.00 per share ... 47,320.00

611½ shares Total Stock,..... $48,920.00

$109,000.00 of bonds to be sold at ninety per cent of par,..... $98,100.00

TOTAL to be realized from sale of Stock and Bonds,..... $147,020.00

Applicant's bonds will be issued under a trust deed providing for a sinking fund beginning June 30, 1919, of one per cent. of the bonds outstanding. The interest on the bonds in the sinking fund are to be added as part of the sinking fund. The bonds are callable at 102-1/2 per cent of par.

Mr. Coleman testified that he had made no permanent arrangements for the sale of securities, but believed there would be a ready market for them.

The estimates submitted by the applicant figure the population of the towns to be served as follows:-

Martinez,.....	3,000
Pittsburg,.....	4,000
Concord,.....	1,500
Antioch,.....	2,000
Total,.....	10,400

No gas plants are now operated in any of these localities. Mr. Coleman estimated that he could obtain from these towns 1,462 consumers on the following basis:-

Concord,.....	250
Antioch,.....	285
Martinez,.....	427
Pittsburg,.....	500

It is his purpose to solicit the sale of gas for cooking and industrial purposes. Mr. Coleman on behalf of the applicant figures that the

average consumption would be apprximately 1,800 cubic feet of gas per month per consumer, for which he expected to offer a rate which would average $1.40 per thousand. The rate schedule, with which it is proposed to inaugurate service, has been tentatively drafted as follows:-

The first 2000 cubic feet,.....$1.50 per thousand,
The next 3000 cubic feet,.....1.25 per thousand
The next 15,000 cubic feet,..... 1.00 per thousand
The next 20,000 cubic feet,..... .80 per thousand
Over 40,000 cubic feet,..... .70 per thousand.

The applicant estimated annual earnings under this schedule as follows:

Gross Earnings,.....		$36,842.40
Production Cost,.....	$9,770.00	
Distribution Cost,....	8,820.00	
Administration, Taxes, etc.,.....	$ 4,200.00	
Total Expense,.....		22,790.00
Net Earnings,.....		$14,052.40
Interest on Bonds,.....		6,540.00
Balance,.....		$ 7,512.40
Depreciation,.....	$ 1,500.00	
Bond Discount,.....	272.50	
Total,.....		$ 1,772.50
SURPLUS,.....		$ 5,739.90

The territory in which the applicant proposes to operate is a rapidly growing section and the center of large industrial enterprises. It is desirable that a system of gas plants be established and I have no doubt that the growth of population will very quickly bring augmented earnings, and applicant's financial plan is one that I can readily commend. Mr. Coleman has had long experience in the gas business and will himself personally undertake the

management of CONTRA COSTA GAS COMPANY.

I recommend that the application be granted and submit the following form of Order.

O R D E R.

CONTRA COSTA GAS COMPANY having applied to this Commission for authority to issue 611-1/2 shares of its capital stock of the par value of $100.00 per share, and $109,000 of its 40-year six per cent. first mortgage bonds under its deed of trust to the Mercantile Trust Company of San Francisco, dated October 1, 1914, and application having been made by S. WALDO COLEMAN for authority to transfer five franchises, as recited in the preceding opinion, to CONTRA COSTA GAS COMPANY, and a hearing having been held and it appearing that the purposes for which CONTRA COSTA GAS COMPANY proposes to issue said stock and said bonds are not in whole or in part chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that CONTRA COSTA GAS COMPANY be given authority and it is hereby given authority to issue 611-1/2 shares of its capital stock of the par value of $100.00 per share.

IT IS FURTHER ORDERED that CONTRA COSTA GAS COMPANY be given authority and it is hereby given authority to issue $109,000.00 of its first mortgage six per cent. 40-year bonds under its trust deed to Mercantile Trust Company of San Francisco, dated October 1, 1914, a copy of which has been filed in connection with the application herein and marked Exhibit "C", to which reference is hereby made.

IT IS FURTHER ORDERED that S. Waldo Coleman be given authority and he is hereby given authority to transfer to CONTRA COSTA GAS COMPANY those certain franchises conferred by the following ordinances:

1. Ordinance No. 39, dated January 12, 1914, of the Town

of Concord, California.

2. Ordinance No. 139, dated April 6th, 1914, of the Town of Martinez, California.

3. Ordinance No. 29-A, dated April 22, 1914, of the City of Pittsburg, California.

4. Ordinance No. 32-A, dated May 18th, 1914, of the Town of Antioch, California.

5. Ordinance No. 130, dated Sept. 2, 1913, of the County of Contra Costa, California.

Copies of all of said ordinances being on file with this Commission in connection with applications No. 905 and No. 1037, to which reference is hereby made.

The authority herein given to CONTRA COSTA GAS COMPANY to issue 611-1/2 shares of its capital stock and $109,000 of bonds, is given upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be issued and sold as follows:-

   (a). 20 shares of stock to be issued to Mr. S. Waldo Coleman upon the transfer by him of the aforesaid mentioned five franchises to CONTRA COSTA GAS COMPANY.

   (b). The remaining 591-1/2 shares of stock shall be sold so as to net the applicant herein not less than $80.00 per share.

   (c). The bonds herein authorized to be issued shall be sold so as to net the applicant herein not less than ninety per cent. of their face value plus accrued interest.

2. The proceeds derived from the sale of said stocks and bonds shall be used for the purpose of constructing gas plants, transmission lines and distributing systems to serve the Towns of Pittsburg, Antioch, Concord and Martinez in Contra Costa County, in accordance with the details as filed by applicant in connection with the application herein and marked Exhibit "B", a summary of which appears in the preceding opinion.

3. Nothing in the authority herein granted shall be construed as

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obligating this Commission, or other regulating body, to recognize such taxes as the applicant herein may not be under the law compelled to pay, but which it may voluntarily pay for others, as part of the expenses of [redacted] corporation, to be considered in establishing just and reasonable rates.

4. The authority herein given shall apply to such stocks and such bonds as shall have been issued on or before October 1, 1915.

5. Contra Costa 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 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.

6. The authority herein given is conditioned upon the payment by applicant of the fee prescribed in 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 15th day of October, 1914.

Railroad Commission State of California
FEE $109.00
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BY H. Matheson
Assistant Secretary.

H. D. Loveland
Alex Gordon
Max Thelen
Commissioners.

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