

ORIGINAL

In the matter of the application of Coast Valleys Gas & Electric Company for authority to issue \$100,000 of bonds.

Application No. 1418.

Decision No. 1985

Warren Gregory, for Applicant.

GORDON, Commissioner.

OPINION

Coast Valleys Gas and Electric Company in the matter herein applies for authority to issue \$100,000 of its first mortgage 6 per cent bonds. The applicant proposes to use the sum of \$69,392.43 to extinguish notes payable and certain accounts payable and to apply the balance upon additions and betterments. It is proposed to expend \$10,000 for additional feeder and distribution lines in and about King City. The applicant has submitted no details for additional extensions and betterments.

Coast Valleys Gas and Electric Company conducts a water, gas and electric utility business in Monterey County, operating in Salinas, Monterey, Pacific Grove, King City and other localities in Monterey County. The affairs of this corporation have been considered in previous hearings before this Commission. In these hearings evidence has been presented tending to establish a value of applicant's properties not less than approximately \$1,100,000. The applicant itself has presented estimates of value as high as \$1,600,000, but these estimates have been subject to very general revision by the engineering staff of this Commission.

The applicant has an outstanding issue of \$900,000 of bonds.

For the twelve months ending September 30, 1914, the applicant presented the following statement of earnings:

Gross Earnings:

Electric	\$173,562.96
Gas	44,868.86
Water	21,302.09
Miscellaneous	<u>8,166.11</u>
Total Earnings	<u>\$247,900.02</u>

Expenses:

Operating Expenses	\$128,848.34
Taxes	<u>11,869.31</u>
Total Operating Expenses and Taxes	<u>\$140,717.65</u>

Net Earnings **\$107,182.37**

Interest on Bonds	\$ 52,917.00
Interest on Floating Debt	6,033.97
Uncollectable Accounts	712.49
Miscellaneous Deductions from Surplus	171.51
Miscellaneous Additions to Surplus	324.20
Depreciation	<u>12,572.12</u>

Total Deductions **\$ 72,082.89**

Net Income **\$ 35,099.48**

It is provided in applicant's mortgage and deed of trust to Mercantile Trust Company of San Francisco, dated March 1, 1912, that bonds may be certified up to \$1,000,000 for the full cost of applicant's properties. Thereafter, under the terms of this indenture, bonds may be issued up to only 80 per cent of the cost of additions and betterments.

It is provided also in this trust indenture that bonds shall be issued only when the net earnings of the applicant shall have been for a period of twelve months, ending not more than sixty days prior to the application for the certification of said bonds, at least one and three-fourths times the interest on the bonds outstanding and on bonds for which application is made.

The applicant proposes to use the proceeds from the bonds herein sought as follows:

To pay notes payable	\$51,896.74
To apply on accounts payable	17,495.69
For extensions and feeder lines in and about King City	10,000.00
Other additions and betterments	<u>20,607.57</u>
Total	\$100,000.00

It was stated by the applicant that it proposed, if negotiations could be completed successfully, to construct a gas plant to serve the Presidio at Monterey, and that this would require an expenditure of approximately \$20,000. The applicant requested, however, that the order be not made specific as to this item.

It appears that the applicant will be able to sell an additional 700 horsepower when it shall have constructed the new feeders and service lines in the vicinity of King City. This power will be used for agricultural pumping purposes.

The applicant states that it has made no contract for the sale of its bonds, but believes that it will find a market for them at not less than 90 per cent of face value.

In view of all of the circumstances of this case, I recommend that the application be granted and submit the following form of order:

ORDER

Coast Valleys Gas and Electric Company having applied to this Commission for authority to issue \$100,000 of its first mortgage 6 per cent 40 year bonds, and a hearing having been held and it appearing that the purposes for which the applicant proposes to issue said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Coast Valleys Gas and Electric Company be given authority and it is hereby given authority to issue \$100,000 of its first mortgage 6 per cent 40 year bonds under its trust indenture to Mercantile Trust Company of San Francisco, dated March 1, 1912.

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

(1) The bonds herein authorized to be sold shall be sold so as to net the applicant not less than 90 per cent of the face value thereof plus accrued interest.

(2) The proceeds from the sale of said bonds shall be used for the following purposes and not otherwise:

(a) To extinguish the following notes payable -

<u>Name</u>	<u>Date</u>	<u>Int.</u>	<u>Amount</u>
California Railway & Power Co.	7/ 1/13	7%	Bal. \$ 5,900.00
California Railway & Power Co.	7/ 1/13	7%	10,000.00
California Railway & Power Co.	7/ 1/13	7%	10,000.00
Sierra & San Francisco Power Co.	7/31/13	7%	7,251.34
Sierra & San Francisco Power Co.	7/31/13	7%	3,726.21
Sierra & San Francisco Power Co.	7/31/13	7%	7,666.95
Sierra & San Francisco Power Co.	7/31/13	7%	<u>7,352.24</u>
Total			\$51,896.74

(b) To apply upon accounts payable incurred for additions and betterments \$17,495.69

(c) For feeders, extensions and service lines in the vicinity of King City to serve prospective consumers 10,000.00

(d) For other additions and betterments 20,607.57

(3) The authority herein granted to the applicant to sell bonds "for other additions and betterments in the sum of \$20,607.57" shall become effective only after the applicant shall have filed a list of such additions and betterments and this Commission shall have issued a supplemental order approving said list of proposed additions and betterments.

(4) Coast Valleys 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 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 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.

(5) The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

(6) The authority herein granted shall apply to such bonds as shall have been issued on or before December 1, 1915.

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 4th day of December, 1914.

Railroad Commission State of California
DEC 7 1914
Assistant Secretary

Edwin O. Edgerton
Commissioners.