

ORIGINAL

In the matter of the application of Western States Gas & Electric Company for authority to issue \$101,000 of bonds.

Application No. 1450.

Allen Chickering, for Applicant.

LOVELAND, Commissioner.

O P I N I O N

In its decision upon Application No. 1303 this Commission authorized Western States Gas & Electric Company to issue \$731,000 of its three year 6 per cent promissory notes. The applicant reports that it has sold \$280,000 of these notes at 92½ per cent of face value and has realized therefrom \$260,540.

It now appears to the applicant that an opportunity offers for the sale of bonds and it now applies for authority to issue \$101,000 of its 5 per cent bonds in lieu of \$142,500 of the three year notes heretofore authorized in this Commission's decision upon Application No. 1303. The applicant proposes to sell these bonds at not less than 82½ per cent of face value and to apply the proceeds to the same purposes to which it was authorized to devote the proceeds from the sale of its notes authorized in Decision No. 1843 of this Commission.

Under the applicant's mortgage and deed of trust to Girard Trust Company of Philadelphia, dated January 1, 1911, Western States Gas & Electric Company may issue bonds up to only 75 per cent of the cost of additions and betterments and may issue these bonds only when its net earnings for a period of one year, sixty days prior to its application to the trustee for said bonds, shall have been twice the interest on outstanding bonds plus the bonds for which application is made. A statement submitted by applicant as Exhibit "A" in connection with the present application shows the following for the twelve months ending October 31, 1914:

Gross earnings .....	\$1,104,622.98
Operating expenses .....	596,408.49
Net earnings .....	508,214.49

The present application is based primarily upon the evidence submitted in connection with Application No. 1303 to which reference is hereby made. The Commission, in passing upon that application, authorized the applicant to issue \$731,000 of notes to take care of indebtedness, accounts, and additions and betterments in a total sum of \$675,386.65. The present application is merely for authority to substitute \$101,000 of bonds for \$142,500 of notes there-<sup>(m)</sup> in authorized. An issue of bonds is, of course, a more desirable form of financing.

I recommend that the application be granted and submit the following form of order:

O R D E R

Western States Gas & Electric Company having made application to this Commission for authority to issue \$101,000 of its 5 per cent bonds under its mortgage and deed of trust to Girard Trust Company, of Philadelphia, dated June 1, 1911,

And a hearing having been held and it appearing that the purposes for which the applicant proposes to use the proceeds from the sale of said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Western States Gas & Electric Company be granted authority and it is hereby granted authority to issue \$101,000 of its 5 per cent bonds under its mortgage and deed of trust to Girard Trust Company, of Philadelphia, dated June 1, 1911.

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

(1) The authority herein given is given in substitution for the authority given in this Commission's Decision No. 1843 upon Application No. 1303 for the issue of \$142,500 of notes. (M)

(2) The proceeds from the sale of the bonds herein authorized to be issued shall be applied upon the purposes to which the applicant herein was authorized to devote the proceeds from the sale of its notes authorized by this Commission in its Decision No. 1843 upon Application No. 1303, and more specifically enumerated under Section 2 of the order in said decision.

(3) The bonds herein authorized to be issued shall be sold so as to net the applicant not less than 82½ per cent of their face value plus accrued interest thereon.

(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 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 shall apply to such bonds as shall have been issued on or before December 1, 1916.

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

December, 1914.

Wm. H. Wood  
Wm. H. Wood  
Edwin C. Edgely

Commissioners.

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Tax paid on app. 1303. Dec. 1843. @