

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of Long Beach Consolidated Gas Company, a corporation, for an order authorizing it to issue, sell and deliver 100 of its first mortgage bonds of the denomination of \$1,000 each.

ORIGINAL

Application No. 1526.

Harry J. Bauer, for applicant.  
George F. Kapp, City Attorney, and  
Louis N. Whealton, Mayor of Long Beach,  
for city of Long Beach.

EDGERTON, Commissioner.

OPINION

This is an application by Long Beach Consolidated Gas Company for authority to issue \$100,000 of its first mortgage 6 per cent bonds and to use the proceeds as follows:

- (a) To retire note of \$10,000 held by National Bank of Long Beach ..... \$10,000.00
- (b) To reimburse applicant for expenditures upon capital account from income and thereafter to enable the applicant to pay outstanding accounts ... 33,163.98
- (c) For additions and betterments consisting chiefly of service extensions ..... 56,836.02

The city of Long Beach intervened and was represented by its Mayor, Mr. Louis N. Whealton. The city's intervention asked for an investigation by this Commission into the affairs of the applicant and to reserve to the city the right to question the statements made in the application insofar as they might have bearing now or in the future upon the rates charged or to be charged for the sale and distribution of gas in the city of Long Beach.

In the application Long Beach Consolidated Gas Company states that it proposes to spend in all, during the year 1915, approximately \$100,000 for betterments, of which \$20,000 will be used

for extensions of and additions to its gas plant, and approximately \$80,000 for extensions of and additions to its gas distributing system. The applicant states that it will submit at a later time the details of the construction for additions and betterments, and the order at this time, therefore, in so far as it may provide for bonds for future additions and betterments, will be conditioned upon the presentation of these details.

The applicant reports an outstanding issue of common stock of the par value of \$675,700, and \$191,000 par value of preferred stock. Applicant submitted the testimony of two engineers, one stating that the value of the physical properties amounted to \$761,723.75 as of December 31, 1914, and the other estimating the value at \$756,305 as of January 30, 1915.

For the calendar year 1914 the applicant submitted a statement of earnings as follows:

Gross Operating Revenue .....	\$220,687.73
Operating Expenses .....	<u>147,071.33</u>
Net Operating Revenue .....	73,616.40
Uncollectible Bills and Loss on Non-operative Property .....	<u>568.98</u>
	\$ 73,047.42
Interest on Funded Debt .....	\$26,816.67
Other Interest .....	4,915.49
Amortization of Debt Discount ...	<u>265.56</u>
	<u>31,997.72</u>
Balance .....	\$ 41,049.70
Depreciation .....	<u>27,500.00</u>
Surplus .....	\$ 13,549.70
Dividends .....	<u>8,280.00</u>
Balance .....	\$ 5,269.70

The applicant is purchasing a mixed gas of half natural gas and half artificial gas from the Southern California Gas Company. This comprises about 75 per cent of the gas which it distributes. It manufactures the balance in its plant at Long Beach.

The applicant reports outstanding at this time, bonds amounting to \$481,000. It appears that the purposes for which the applicant herein proposes to issue these bonds are for proper capital purposes, the money having been used or to be used for additions to its plant.

Of the \$100,000, the sum of approximately \$56,000 will be used for extensions to give service to prospective patrons. The applicant testified that it had applications for service which would entail at this time an outlay of approximately \$26,000. It is desirable, of course, that people in Long Beach needing gas service, should be promptly supplied with this convenience. It is proper also that the applicant should issue securities to cover the reasonable cost of these extensions.

The deed of trust under the terms of which applicant issues its bonds, provides that bonds may be issued up to 80 per cent of the cost of additions and betterments, provided that the net earnings of the company for the period of twelve months preceding the application to have the bonds certified shall have been equal to twice the interest on the bonds outstanding and the bonds to be issued.

Such matters as relate to the rates of the applicant will be given due consideration at such time as the rates may be before this Commission for review.

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

O R D E R

Long Beach Consolidated Gas Company having applied to this Commission for authority to issue \$100,000 of its first mortgage 6 per cent 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 Long Beach Consolidated Gas Company be granted authority and it is hereby granted authority to issue \$100,000 of its first mortgage 6 per cent bonds under its mortgage and deed of trust to Los Angeles Trust and Savings Bank, dated November 1, 1910, heretofore filed with this Commission.

The authority herein granted to issue said bonds 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 95 per cent of the face value thereof plus accrued interest.

(2) The proceeds derived from the sale of said bonds shall be used for the following purposes:

(a) To retire note held by National Bank of Long Beach in the sum of ..... \$10,000.00

(b) To reimburse the applicant for expenditures from income upon capital account and thereafter for the payment of accounts payable in the sum of ..... 33,163.98

(c) For extensions of and additions to applicant's gas plant and distributing system ..... 56,836.02

Total ..... \$100,000.00

(3) The bonds herein authorized to be issued under Sub-division C of Section 2 herein shall be issued only after the applicant shall have submitted to this Commission a detailed statement of the extensions and additions proposed to be made to its gas plant and distributing system, and shall have received a supplemental order

from this Commission approving the use of the proceeds from the sale of its bonds for such purposes.

(4) The bonds herein authorized to be issued shall be issued and sold only after the applicant shall have complied with the terms of its trust deed herein referred to, and particularly to those sections which specify that bonds shall be issued only up to 80 per cent of the costs of additions and betterments, and that such bonds shall be issued only after the applicant, for a period of twelve months, shall have earned twice the interest on its outstanding bonds and the bonds proposed to be issued.

(5) Long Beach Consolidated Gas 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.

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

(7) The authority herein granted shall apply to such bonds as shall have been issued on or before March 15, 1916. *HEM*

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 22<sup>nd</sup> day  
of March, 1915.

*Rec'd 100 00*  
MAR 27 1915  
*A. M. Mackerson*  
Assistant Secretary.

*Max Theley*  
*H. D. Woodland*  
*Edwin O. Edgerton*  
*Grant R. Kerbin*  
Commissioners.