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ORIGINAL

Decision No. ________

Decision No. 2550

BEFORE THE RAILROAD COMMISSION OF THE

STATE OF CALIFORNIA

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In the matter of the Application of WESTERN STATES GAS AND ELECTRIC COMPANY, a corporation, for an order authorizing the issue of bonds of the face value of $266,000.oo, and notes of the face value of $33,000.oo.

Application No. 1731.

Allen Chickering, for applicant.

LOVELAND, Commissioner.

O P I N I O N.

This is an application of WESTERN STATES GAS AND ELECTRIC COMPANY for authority to issue and sell at not less than 85 per cent. and accrued interest $266,000.oo face value of First and Refunding Mortgage 5 per cent. Gold Bonds due June 1, 1941. Applicant also seeks authority to issue and sell at not less than 93 per cent. and accrued interest $33,000.oo face value of 3-year 6 per cent gold notes due October 1, 1917.

In Exhibit No. 5, attached to this application, applicant estimates that its construction expenses for the year ending May 1, 1916, will aggregate $257,000.oo. It proposes to expend for construction, additions and betterments to its plant the following:

STOCKTON DIVISION, -		
Gas Department:		
Plant, ...	$2,500	
Distribution, ...	40,000	
Miscellaneous, ...	2,500	
Total Gas Department, ...		$45,000.00
Electric Department:		
Plant, ...	$80,000	
Transmission, ...	10,000	
Distribution, ...	85,000	
Miscellaneous, ...	5,000	
Total Electric Department, ...		180,000.00
RICHMOND DIVISION, ...		20,000.00
EUREKA DIVISION, ...		12,000.00
TOTAL, ...		$257,000.00

Western States Gas and Electric Company has an authorized bond issue of $10,000.000. The bonds bear 5 per cent. interest, payable semi-annually on December 1 and June 1. The bonds are dated June 1, 1911 and mature June 1, 1941. By the terms of the deed of trust executed to Girard Trust Company, of Philadelphia, trustee, $825,000 face value, of first and refunding bonds shall be certified by the trustee immediately upon the execution of the deed of trust; $2,575,000 face value of first and refunding bonds are appropriated to redeem, retire or refund the following underlying bonds;

(a).- $639,000 face value, of bonds of Humboldt Gas and Electric Company;

(b).- $972,000 face value, of bonds of American River Electric Company;

(c).- $750,000 face value, of bonds of Stockton Gas and Electric Corporation;

(d).- $214,000 face value, of bonds of Eureka Lighting Company.

All of the underlying bonds, except $452,000 face value, of bonds of American River Electric Company, have been redeemed or refunded.

The sum of $6,600,000 face value, of first and refunding bonds of Western States Gas and Electric Company are appropriated to pay 75 per cent. of the reasonable cost to the company of any new or additional properties purchased or acquired, or of any permanent extensions, additions, betterments or improvements made to its plant subsequent to June 1, 1911. However, none of the last-mentioned "bonds shall be certified or delivered until and unless the earnings of the company from the operation of its plants and properties and from income upon any securities owned by the company, for the period of twelve consecutive months, ending not more than sixty days prior to the date of the respective applications for certifications, after deducting from such earnings all operating expenses, including taxes, insurance premiums and customary expenses for current repairs and current maintenance ordinarily chargeable to operating expenses, shall have been in each case equal to at least twice the interest charges on all the underlying bonds herein referred to and then outstanding, on all of the bonds hereby secured and then outstanding, and on all of the bonds whose certification and delivery is then applied for."

Applicant reports that it has expended from June 1, 1911 to April 30, 1915, for the acquisition of property and for the construction of additions and betterments to its plant the sum of $2,326,720.14. By the terms of the deed of trust, as hereinbefore outlined, it will be permitted to issue bonds in the sum of $1,745,040.10. Applicant's reports show that it has issued bonds in the sum of $1,671,000 face value, to secure funds to finance its construction work subsequent to June 1, 1911. Applicant under its deed of trust may issue additional bonds in the sum of $74,040.10. As heretofore stated, applicant, however, asks for authority to issue and sell $226,000 face value, of its first and refunding bonds to finance its construction expenditures for the year ending May, 1, 1916, which are estimated in the sum of $257,000. Seventy-five per cent. of such estimate amounts to $192,750.

To pay for the 25 per cent. of the cost of extensions, additions and betterments for which no bonds may be issued, applicant proposes to sell $33,000 face value of its 6 per cent. notes due October 1, 1917.

In Exhibit No. 2, attached to this application, applicant reports earnings and expenses for the year ending April 30, 1915, as follows:

Operating Revenues, ...		$1,148,435.93
Operating Expenses, ...		597,204.90
Net Operating Revenue, ...		$ 551,231.03
<u>Deductions:</u>		
Interest on Funded Debt, ...	$249,231.09	
Other Interest, ...	27,330.93	
Depreciation and Amortization of Debt Discount, . . .	64,739.16	
Dividends on Preferred Stock,	148,750.00	
Total Deductions, ...		490,051.18
Surplus for the Year, . .		$61,179.85

The balance sheet of Western States Gas and Electric Company as of December 31, 1914, filed with this Commission shows the following assets and liabilities:

<u>ASSETS:</u>	
Plant and Franchise, ...	$7,964,974.52
Fixed Capital, ...	2,253,454.33
Bonds in Treasury, ...	10,000.00
Three Year Coupon Notes in Treasury,	451,000.00
Cash and Deposits, ...	45,903.40
Notes Receivable, ...	17,417.56
Accounts Receivable, ...	120,550.02
Investments, ...	83,884.84
Materials and Supplies, ...	49,293.19
Sinking Funds, ...	47,111.49
Other Special Funds, ...	88,000.00
Prepaid Expenses, ...	1,665.15
Bond Discount, ...	559,957.31
Other Suspense, ...	58,775.20
Leased Signs and Motors, ...	13,046.61
TOTAL ASSETS, ...	$11,765,033.62
<u>LIABILITIES:</u>	
Stock, ...	$5,356,500.00
Bonds Outstanding, ...	4,845,000.00
Three Year Coupon Notes Outstanding,	731,000.00
Notes Payable, ...	314,100.00
Accounts Payable, ...	114,905.01
Interest Accrued, ...	23,169.38
Taxes Accrued, ...	33,419.77
Dividends Declared, ...	98,067.50
Reserve for Accrued Depreciation, .	120,000.00
Reserve for Bad Debts, ...	1,562.86
Surplus, ...	127,309.10
TOTAL LIABILITIES, .	$11,765,033.62

Applicant reports that it has sold all the bonds and notes, the sale of which has been heretofore authorized by this Commission.

I herewith submit the following form of Order:

O R D E R.

WESTERN STATES GAS AND ELECTRIC COMPANY having applied for authority to issue $266,000.oo face value, of its 5 per cent. thirty year first and refunding bonds at not less than 85 per cent. of the face value plus accrued interest, and to issue $33,000.oo face value, of its three year 6 per cent. notes due October 1, 1917, at not less than 93 per cent. of the face value plus accrued interest,

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

IT IS HEREBY ORDERED that WESTERN STATES GAS AND ELECTRIC COMPANY be given authority, and hereby is given authority, to issue and sell $266,000.oo face value, of its 30-year 5 per cent. first and refunding bonds.

IT IS HEREBY FURTHER ORDERED that WESTERN STATES GAS AND ELECTRIC COMPANY be given, and is hereby given, authority to issue and sell $33,000.oo face value, of its 3-year 6 per cent. notes due October 1, 1917.

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

(1).- Applicant shall sell the bonds herein authorized to be issued at a price not less than 85 per cent. of the face value plus accrued interest.

(2).- Applicant shall sell the notes herein authorized to be issued at a price not less than 93 per cent. of the face value plus accrued interest.

(3).- The proceeds obtained from the sale of the bonds and notes shall be used by the applicant to pay for the cost of extensions, additions and betterments to its plant in accordance with a summary (marked Exhibit No. 5) of said list of extensions, additions and betterments, estimated to cost as follows:

Stockton Division, . . .	$225,000.00
Richmond Division, . . .	20,000.00
Eureka Division, ...	12,000.00
	$257,000.00

(4).- Before applicant shall expend any of the proceeds obtained from the sale of its bonds and notes herein authorized, it shall file with this Commission a detailed statement of such extensions, additions and betterments, and such statement shall receive the approval of this Commission.

(5).- The proceeds obtained from the sale of the bonds shall be deposited with the trustee, and delivered to the company as the work for the extensions, additions and betterments progresses.

(6).- Western States Gas and 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 and 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 bonds and 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.

(7).- The authority herein given shall apply to such bonds and notes as shall have been issued and sold on or before June 30, 1916.

(8).- The authority herein given is conditioned upon the payment of the fee prescribed under the Public Utilities Act as amended.

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 30th day of June, 1915.

Max Thelen

H. D. Loveland

Edwin O. Edgerton

Frank R. Devlin

Commissioners.

Railroad Commission State of California
FILED
JUL 2 1915
BY ... Assistant Secretary.