

In the matter of the application
of Central California Gas Company
for an order authorizing the issue
of bonds of the face value of
\$19,000, preferred stock of the par
value of \$67,000 and common stock
of the par value of \$21,500.

Application
No. 2337.

C. S. S. Forney, for applicant.

GORDON, Commissioner.

O P I N I O N

This is an application by Central California Gas Company for authority to issue \$19,000 face value of its first mortgage 6 per cent bonds; \$67,000 par value of 6 per cent cumulative preferred stock; and \$21,500 par value of common stock. The applicant proposes to issue \$12,000 face value of the bonds, on the basis of reimbursement, directly to its sinking fund and to issue the remaining \$7,000 of bonds for reimbursement, and thereafter to use the proceeds for the payment of interest.

The applicant proposes further to use the proceeds from the sale of its preferred and common stock for the liquidation of notes and accounts payable, for the reimbursement of its treasury, and for additions and betterments.

At the opening of the proceedings in connection with this application attention was called to the fact that Mr. C. S. S. Forney, president of Central California Gas Company, had, pursuant to orders of this Commission, returned to the applicant \$17,000 par value of preferred stock, had given his note for \$2,924 and had made certain adjustments in his accounts, to all of which reference was made in previous orders of this Commission.

Central California Gas Company submits the following statement of Assets and Liabilities as of May 31, 1916:

Assets -

Fixed Capital,	\$500,158.88
Cash,	72.69
Accounts Receivable,	13,352.83
Notes Receivable,	2,924.00
Materials and Sup- plies,	6,204.32
Discount on stock and bonds,	84,307.00
Other Assets,	10,191.65

Total, \$617,211.37

Liabilities -

Common Stock,	\$ 63,500.00
Preferred Stock,	183,000.00
Funded Debt,	293,000.00
Notes Payable,	27,364.27
Accounts Payable,	11,677.64
Interest Accrued	7,325.00
Surplus and Re- serves,	31,344.46

\$617,211.37

The surplus and reserve item as divided shows reserve, \$12,341.00, and surplus \$19,003.46.

Applicant represents that it has invested in additions to fixed capital prior to May 31, 1916, the sum of \$51,465.88, against which no stock or bonds have been issued.

Applicant states that these additions are represented by the temporary investment of its surplus and reserve and by amounts owing and unpaid and represented by notes payable and accounts payable. If its application is granted, applicant states that it will use the moneys derived from reimbursement in discharging floating liabilities and for additions and betterments.

The notes payable of the company as shown by the balance sheet in the sum of \$27,364.27 and the accounts payable in the sum of \$11,677.64, it is alleged are represented by an equivalent amount of investments in fixed capital. The surplus of the company as shown by the balance sheet amounting to \$19,003.46, is offset in an amount carried as other assets in the sum of \$10,191.65, which leaves a net surplus of \$8,811.81 as net income that may be reimbursed from the sale of securities.

While this balance sheet may be subject to correction and revision, I believe the applicant at this time may be

authorized to issue \$7,000 of bonds for the purpose of reimbursing its treasury, on the sole condition, however, that this money be applied toward the payment of interest on the company's outstanding bonds.

I find no basis upon which the applicant could be authorized to issue the \$12,000 of bonds for sinking fund purposes. The applicant will of course be expected to make its sinking fund payments, and in this connection will be expected to set up a sinking fund reserve account, so that payments into sinking fund from income for the redemption of bonds may appear in this reserve account and not in surplus.

The applicant may be permitted to issue common and preferred stock for the purpose of liquidating notes and accounts, and for this purpose I recommend at this time that authority be granted for the issuance of \$20,000 of common stock at par as requested by the applicant, and \$10,000 of preferred stock at 90. While applicant has asked for a further issue of stock for proposed additions and betterments, this may be deferred until the applicant has more definitely decided upon the details and submits them to this Commission. A supplemental order may then be issued authorizing the issue of such stock or bonds as may be found proper to provide funds for such additions and betterments as may be necessary.

Accordingly I submit the following form of order:

ORDER

Central California Gas Company having applied to this Commission for authority to issue bonds and stock as set forth in the foregoing opinion, and a hearing having been held and it appearing to this Commission that the bonds and stock herein

authorized to be issued are not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS HEREBY ORDERED that Central California Gas Company be granted authority and it is hereby granted authority to issue \$7,000 of its first mortgage 6 per cent bonds.

IT IS FURTHER ORDERED that Central California Gas Company be granted authority and it is hereby granted authority to issue \$10,000 of its 6 per cent cumulative preferred stock.

IT IS FURTHER ORDERED that Central California Gas Company be granted authority to issue \$20,000 par value of its common capital stock.

The authority herein granted to issue said bonds and stock is granted upon the following conditions and not otherwise:

(1) The \$7,000 of bonds hereby authorized to be issued shall be sold at not less than 90 per cent of face value plus accrued interest, and the cash received therefrom shall be used to reimburse applicant's treasury and thereafter applied solely for the payment of interest upon applicant's outstanding bonds; the authority herein granted as to said \$7,000 of bonds being conditioned specifically upon such use of the proceeds.

(2) The \$10,000 par value of 6 per cent preferred stock herein authorized to be issued shall be sold at not less than 90 per cent of par value and the proceeds derived therefrom shall be used for the payment of notes or accounts payable owing by said company on May 31, 1916 and contained in a list submitted in connection with the application herein and marked Exhibit "A", to which reference is hereby made.

(3) The \$20,000 par value of common stock hereby authorized to be issued shall be sold at not less than par and the proceeds received therefrom shall be used for the payment of notes or accounts payable owing by said company on May 31, 1916 and contained in a list submitted in connection with the application herein and marked Exhibit "A", to which reference is hereby made.

(4) Central California 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.

(5) The authority herein granted shall apply to such stock and bonds as shall have been issued on or before December 31, 1916.

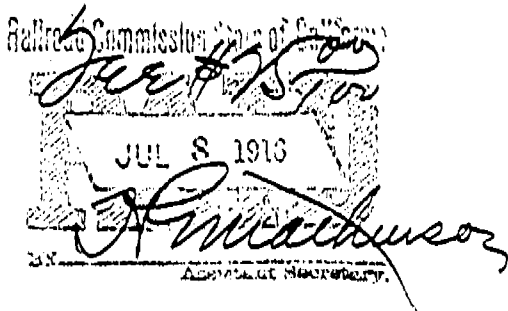
(6) The authority herein granted is conditioned upon the payment of the fee prescribed under the Public Utilities Act.

The authority herein requested by the applicant for the issue of \$12,000 of bonds for reimbursement to

satisfy the sinking fund is hereby denied.

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 8th day of July, 1916.



Max Thelen
H. H. ...
Alex. ...
Edwin O. Edgerton
Frank ...

Commissioners.