

GEM

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application)
of SOUTHWESTERN GAS COMPANY, for) Application
an order authorizing it to issue) No. 2940
stocks and bonds.)

W. C. Petchner, for Applicant.

LOVELAND, Commissioner.

O P I N I O N

In this amended application, SOUTHWESTERN GAS COMPANY asks authority to issue such an amount of its capital stock in exchange for properties of Hemet-San Jacinto Gas Company as may represent the difference between the reasonable value of the properties and a \$25,000.00 bonded indebtedness. The company also asks authority to execute a trust deed in substantially the same form as Exhibit III, attached to the application, to Title Insurance and Trust Company to secure the payment of \$50,000.00 face value of first mortgage 6% 30-year bonds, and to issue at this time bonds in the amount of \$30,000.00, of which \$25,000.00 will be used to retire a like amount of bonds of Hemet-San Jacinto Gas Company and \$5000.00 for additions and betterments.

Decision No. 2940-6

Southwestern Gas Company was organized in April, 1917, with an authorized stock issue of \$75,000.00 divided into 75,000 shares of the par value of \$1.00 each, for the purpose of acquiring and operating the properties of Hemet-San Jacinto Gas Company. The sale of these properties and the advisability of issuing \$15,470.00 par value of stock in payment therefore is considered in the decision relating to application number 2939.

Applicant asks authority to issue \$30,000.00 face value of its first mortgage 6% 30-year bonds. Of this amount, applicant desires to use \$25,000.00 to refund the outstanding bonds of the Hemet-San Jacinto Gas Company and sell \$5,000.00 at not less than 90% of their face value. Of the proceeds, \$3,500.00 will be used for the payment of the following extensions and betterments:

8000 feet of 2" Standard pipe at 20c,	\$1,600.00
Ditching and laying pipe at 5c per foot; this price is possible as no hard pan soil will be encountered, the same being sandy loam, and the grading and laying of pipe will be done by employees already under salary,.....	400.00
Meters and connections: -40 Iron-Case-Meters at \$7.50 each,	300.00
Incidentals, 10%,	230.00
35 new meters to about,	245.00
Pipe and appliances which applicant can not now state in detail, but which is estimated to amount to about,	255.00
Additions at generating plant, consisting of secondhand boiler, #5 blower complete, and including the installation of a 40 H.P. boiler that can be secured, guaranteed, for \$100.00 f.o.b. Hemet,	<u>500.00</u>
Total,	\$3,500.00

The applicant proposes to deliver to Lucy Webber \$1,000.00 of the proceeds of the bonds in settlement of a claim of \$1,500.00 representing funds advanced by her to the old company and used by it for additions and betterments. Upon the settlement of this claim, Lucy Webber will deliver to the company \$1,000.00 in cash to be used for working capital.

The proposed trust deed, a copy of which is attached to the application herein and marked Exhibit "III", authorizes the company to issue bonds in the amount of \$50,000.00. The bonds constitute a first mortgage upon all of the property of the company now owned or hereafter acquired. They bear interest at the rate of 6% per annum and are payable May 1, 1947. The bonds are to be issued in denominations of \$500.00 each. The proposed trust deed provides that the company may issue forthwith bonds in the amount of \$30,000.00, and further provides, that the remaining \$20,000.00 of bonds shall be issued only pursuant to an order of the Railroad Commission. The bonds may be redeemed upon any interest payment date at not more than 103. The sinking fund provision provides for the retirement of bonds in the amount of \$47,000.00.

Claude C. Webber, Secretary and General Manager of the Hemet-San Jacinto Gas Company, testified that in his opinion the earnings of the Southwestern Gas Company, after the installation of the proposed improvements, would be ample to take care of the bond interest and of depreciation.

I herewith submit the following form of
order:

O R D E R

SOUTHWESTERN GAS COMPANY having applied to this Commission for an order authorizing it to issue capital stock and \$30,000.00 face value of its first mortgage 6% 30-year bonds, and to execute a mortgage in substantially the same form as the mortgage attached to the application and marked Exhibit "III",

And a public hearing having been held and it appearing to the Commission that the moneys, property or labor to be procured or paid for by such issue are reasonably required for the purpose or purposes specified in the order, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Southwestern Gas Company be, and it is hereby, granted authority to issue \$15,470.00 per value of common capital stock.

IT IS HEREBY FURTHER ORDERED that Southwestern Gas Company be, and it is hereby, granted authority to execute a trust deed to Title Insurance and Trust Company in substantially the same form as the trust deed attached to this application and marked Exhibit "III".

IT IS HEREBY FURTHER ORDERED that Southwestern Gas Company be, and it is hereby, granted authority to issue \$30,000.00 of its first mortgage 6% 30-year bonds.

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

1.- The stock hereby authorized to be issued shall be delivered to Hemet-San Jacinto Gas Company in payment for its property subject to a bonded indebtedness of \$25,000.00.

2.- Bonds in the amount of \$25,000.00 hereby authorized to be issued shall be issued by applicant at par and used to refund a like amount of Hemet-San Jacinto Gas Company.

3.- Bonds in the amount of \$5,000.00 hereby authorized to be issued shall be sold by applicant for cash at not less than 90% of their face value plus accrued interest and the proceeds used for the following purposes:-

(a)- \$3,500.00 to pay for extensions, additions and betterments set forth in the foregoing opinion;

(b)- \$1,000.00 to be delivered to Lucy Webber in settlement of a \$1,500.00 claim, said Lucy Webber to deliver in exchange \$1,000.00 to the Southwestern Gas Company to be used by it for working capital.

4.- The approval herein given of said trust deed is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

5.- Southwestern Gas Company shall keep a separate, true and accurate account showing the receipt

and application in detail of the proceeds of the sale of the stocks and bonds hereby authorized to be issued, and on or before the 25th day of each month the company shall make verified report to the Commission, stating the sale or sales of said stocks and bonds during the preceding month, 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 hereby granted to issue bonds is conditioned upon the payment by Southwestern Gas Company of the fee prescribed by the Public Utilities Act.

7.- The authority hereby granted to issue stocks and bonds shall apply only to such stocks and bonds which shall have been issued on or before December 31, 1917.

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 1st day of August, 1917.

W. H. Boardman
W. H. Boardman
Edwin C. Edwards

Commissioners.