

# ORIGINAL

Decision No. 4658

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of  
 COAST COUNTIES GAS AND ELECTRIC COMPANY,  
 a corporation, for an order to issue  
 eight hundred shares of the first pre-  
 ferred stock of said corporation at  
 ninety per cent of the par value thereof  
 and for an order allowing the payment of  
 a brokerage commission not exceeding  
 five per cent for the sale of any of  
 said stock.

Application

No. 3116.

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S. Waldo Coleman for applicant.

EDGERTON, Commissioner.

### OPINION.

This is an application by COAST COUNTIES GAS AND ELECTRIC COMPANY to issue 800 shares (\$80,000.00) of six per cent. first preferred stock; to sell said stock at not less than \$85.00 per share net to the company and to use the proceeds to pay notes and for additions and betterments to its property.

Applicant has entered into no contract for the sale of its stock. It will endeavor to sell the same at not less than \$90.00 per share. If unsuccessful in this, it desires permission to pay a commission of not exceeding \$5.00 per share, making the net yield \$85.00 per share.

Applicant reports stock authorized and outstanding

as follows:-

<u>Class of Stock</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>
First Preferred	\$ 1,000,000.00	\$ 100,000.00
Original Preferred	1,000,000.00	1,000,000.00
Common	2,000,000.00	1,000,000.00
<b>Total</b>	<b>\$ 4,000,000.00</b>	<b>\$ 2,100,000.00</b>

In Exhibit "B" attached to the petition, applicant reports assets and liabilities as of June 30, 1917, as follows:-

Assets:

Fixed Capital . . . . .		\$2,837,569.76
Construction work in progress, . . . . .		21,353.03
Investments, . . . . .		862,831.15
Cash, . . . . .		6,228.72
Notes Receivable. . . . .		6,904.72
Accounts Receivable . . . . .		63,734.81
Materials and Supplies. . . . .		44,760.51
Cash in Sinking Funds, . . . . .		4,269.26
Prepaid Expenses. . . . .		1,443.97
Unamortized Discount and Expenses . . . . .		18,940.15
Stock . . . . .	\$11,273.25	
Debentures. . . . .	7,666.90	
Miscellaneous Assets . . . . .		21,888.45
Dividends . . . . .		33,000.00
Original Preferred - paid. . . . .	\$30,000.00	
First Preferred - paid . . . . .	3,000.00	
<b>Total Assets . . . . .</b>		<b>\$3,922,924.53</b>

Liabilities:

Stock Outstanding . . . . .		\$2,100,000.00
Common . . . . .	\$1,000,000.00	
Original Preferred . . . . .	1,000,000.00	
First Preferred . . . . .	100,000.00	
Funded Debt Outstanding . . . . .		1,523,000.00
Coast Counties L.&P.Co. bonds. . . . .	928,000.00	
Big Creek L.&P.Co. bonds, . . . . .	297,000.00	
San Benito L.&P.Co. bonds, . . . . .	148,000.00	
Coast Counties G.&E.Co. de- bentures. . . . .	150,000.00	
Notes Payable . . . . .		81,930.57
Accounts Payable. . . . .		41,572.60
Accrued Interest. . . . .		31,307.70
Reserves . . . . .		78,805.20
Accrued Depreciation. . . . .	68,380.00	
Casualty and Insurance. . . . .	8,016.38	
Bad debts . . . . .	2,362.82	
Legal expense . . . . .	46.00	
Profit - January 1 to June 30, 1917 . . . . .		39,225.70
Corporate Surplus . . . . .		27,082.76
<b>Total Liabilities. . . . .</b>		<b>\$3,922,924.53</b>

In addition to the bonds outstanding, applicant reports that it holds alive in its sinking funds \$72,000.00 Coast Counties Light and Power Company bonds, \$42,000.00 Big Creek Light and Power Company bonds, and \$2,000.00 San Benito Light and Power Company bonds.

For the years 1915 and 1916 and the six months ending June 30, 1917, applicant reports revenues and expenses as follows:

	Year Ending Dec. 31, 1915	Year Ending Dec. 31, 1916	Six Months Ending June 30, 1917
Operating Revenues:			
Electric	\$247,474.70	\$262,827.40	\$127,460.35
Gas	89,977.23	100,837.26	47,483.82
Miscellaneous	758.16	5,338.04	2,574.24
Total, . . . . .	338,210.09	369,002.70	177,518.41
Operating Expenses:			
Operations and Repairs	154,814.03	172,380.05	77,612.35
Taxes	18,596.39	19,811.87	10,718.75
Depreciation	20,000.00	20,000.00	10,200.00
Total, . . . . .	193,410.42	212,191.92	98,531.10
Net Operating Revenues	144,799.67	156,810.78	78,987.31
Deductions:			
Interest on Funded Debt	77,373.95	81,560.00	37,795.34
Other Interest	6,634.55	2,522.20	1,376.53
Uncollectible Bills	-	1,939.24	-
Non-Operating Deductions	1,590.36	2,108.11	-
Amortization of Debt Discount	-	1,162.08	589.74
Total Deductions, . .	85,598.86	89,291.63	39,761.61
Surplus Earnings for Year	59,200.81	67,519.15	39,225.70

The variations in applicant's corporate surplus account for 1915 and 1916 are reported as follows:

<u>I T E M</u>	<u>1916</u>	<u>1915</u>
Surplus beginning of Year	\$ 28,706.30	\$ 33,264.81
Additions for year		
Profit from year from Income account	67,519.15	59,200.81
Miscellaneous additions to surplus	1,733.44	708.29
Surplus and additions	97,958.89	93,173.91
<u>Deductions for Year:</u>		
Dividends on Outstanding Stock	64,833.24	61,172.67
Sinking Fund Appropriations	200.00	-
Amortization Unprovided for elsewhere	4,146.04	-
Miscellaneous Deductions	2,304.94	2,136.35
Amortized Discount on Securities and expense	-	1,158.59
Total Deductions	\$ 71,484.22	\$ 64,467.61
Surplus End of Year	\$ 26,474.67	\$ 28,706.30

Applicant reports that from January 1, 1915 to June 30, 1917, it has expended for capital purposes the sum of \$74,256.29. Of these expenditures, it is reported that \$5,929.28 have been capitalized, leaving \$68,327.01, against which no stock or bonds have been issued. A detailed statement of the expenditures is attached to the petition. To finance this construction, applicant has borrowed money on short term notes and has expended earnings for capital purposes.

In Paragraph VI. of the petition, applicant's note indebtedness, as of June 30, 1917, is reported at \$81,930.57. Of this debt, applicant desires to pay the amount of \$68,327.01 through the issue of stock, the remainder of the proceeds from the sale of the stock to be applied directly to capital purposes. The notes listed in Paragraph VI. mature at varying dates and it is possible that applicant will have to pay some of them before it is able to dispose of all of the \$80,000.00 par value of stock. In such event, applicant desires authority to apply the proceeds from the stock to the payment of indebtedness other than that listed in Paragraph VI. of the petition.

I am of the opinion that applicant's present needs will be

fully met if the Railroad Commission authorize it to issue \$80,000.00 par value of its first preferred stock, at not less than \$85.00 per share, and permit it to expend \$68,327.01 of the proceeds to pay notes listed in paragraph VI of the petition, or for such other purposes as may hereafter be authorized by the Commission by a supplemental order.

I herewith submit the following form of order.

O R D E R.

COAST COUNTIES GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for authority to issue \$80,000.00 par value of its first preferred 6 per cent. capital stock,

And a hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order,

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company be, and it is hereby, authorized to issue \$80,000.00 par value of its first preferred 6 per cent capital stock.

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

- 1.- The stock hereby authorized to be issued shall be sold by applicant for cash at not less than 85 per cent. of its par value.
- 2.- The sum of \$68,327.01 obtained from the issue of the stock hereby authorized, shall be used by applicant to pay in part the notes listed in paragraph VI of the petition, or for such other purposes as the Railroad Commission may here-  
after

authorize by a supplemental order.

- 3.- The remainder of the proceeds shall be expended for capital purposes, as directed by the Railroad Commission by a supplemental order.
- 4.- Coast Counties 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 stock 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 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 the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
- 5.- The authority hereby granted shall apply to such stock as shall have been issued on or before June 30, 1918.

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 19th day of September, 1917.

Max Thelen  
H. D. ...  
Edwin V. Edgerton  
Francis R. ...

Commissioners.