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Decision No. _____

ORIGINAL

Decision No. 4731

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ECONOMIC GAS COMPANY, a)
corporation, for an order authoriz-) Application No. 3206.
ing the renewal of a promissory note)
of \$30,000.00.)

Chickering & Gregory, by Allen^{L.} Chickering,
for applicant.

GORDON, Commissioner.

OPINION

This is an application of Economic Gas Company for authority to issue a three months 6 per cent promissory note to Citizens National Bank of Los Angeles in the principal sum of \$30,000.00 for the purpose of renewing a similar note now outstanding. Applicant also asks for the privilege of renewing said note from time to time for a period not exceeding one year.

The note which applicant desires to refund was originally issued on September 20, 1916, to obtain funds for the following purposes:-

(a)-To pay note of California Savings Bank originally issued July 28, 1913	\$10,000.00
(b)-To make partial payment on a \$37,000. note, due Welsbach Company, issued June 17, 1914	\$ 5,000.00
(c)-To discharge accounts payable	<u>\$15,000.00</u>
Total	\$30,000.00

The testimony indicates that the note now held by the Citizens National Bank of Los Angeles has been issued in violation of the provisions of the Public Utilities Act, and is therefore void. It appears, however, that the failure on the part of applicant to secure the necessary authority from the Railroad Commission to issue the note arose through inadvertence and not from any desire to evade the terms of the Public Utilities Act.

By Decision Number 3544, dated July 27, 1916, as amended, the Railroad Commission authorized applicant to issue and sell \$262,000.00 of its 5 per cent bonds at not less than 83-1/3 per cent of their face value plus accrued interest or pledge said bonds at such a ratio that the face value of the notes for which the bonds are pledged as collateral shall never be less than 66-2/3 per cent of the face value of the bonds pledged. Applicant proposes to pledge bonds pursuant to the terms and conditions of Decision Number 3544, to secure the payment of the \$30,000.00 note. It appears that heretofore applicant has issued \$5,000.00 of bonds contrary to Decision Number 3544. The Commission is advised that these bonds will be returned to C. W. Conlisk; Allen L. Chickering and Ferd Reis, Jr. trustees, referred to in Decision Number 3544, as amended.

Applicant's annual report for the year ending December 31, 1916, shows that it has collected from its stockholders an assessment aggregating \$100,116.65. This assessment

more than offsets any operating losses which applicant has sustained during the past five years, as reported to the Railroad Commission.

I believe that this application should be granted subject to the terms of the following order:-

O R D E R

ECONOMIC GAS COMPANY having applied to the Railroad Commission for authority to issue a 6 per cent promissory note in the principal sum of \$30,000.00, payable three months after date to Citizens National Bank of Los Angeles, and for authority to renew said note from time to time for a period not exceeding one year; and a public hearing having been held, and it appearing that the money, property or labor to be procured by the issue of the note, is reasonably required for the purpose specified in the order.

IT IS HEREBY ORDERED that Economic Gas Company be, and it is hereby, authorized to issue for not less than the face value thereof, a promissory note to Citizens National Bank of Los Angeles, in the principal sum of \$30,000.00, payable three months after date and bearing interest at not to exceed 6 per cent per annum.

This authority is granted upon the following conditions:-

1.-The proceeds from the sale of the note herein authorized shall be used by applicant solely for the purpose of paying the \$30,000.00 indebtedness due Citizens National Bank of Los Angeles, said indebtedness now being represented by a note issued without authority from the Railroad Commission, which note shall be returned to Economic Gas Company and cancelled.

2.-Applicant may renew the note herein authorized to be issued from time to time, provided that the term of the note herein authorized and the renewals thereof shall not exceed one year.

3.-Before issuing the note herein authorized, applicant shall secure the return to C. W. Conlisk; Allen L. Chickering and Ferd Reis, Jr. trustees, \$5,000.00 face value of 5 per cent bonds, said bonds being a portion of the \$50,000.00 face value of bonds now pledged with Citizens National Bank of Los Angeles to secure the payment of the \$30,000.00 indebtedness.

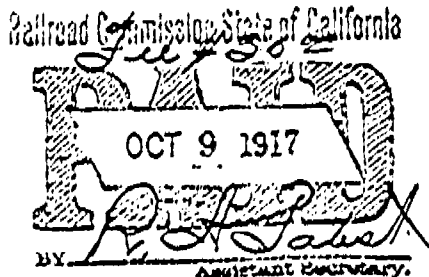
4.-Economic Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the note herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said note 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 to Economic Gas Company to issue a note is conditioned upon the payment by applicant of the fee prescribed by the Public Utilities Act.

6.-The authority herein given Economic Gas Company to issue a note and renewals thereof shall apply only to such note or notes as shall have been issued on or before October 1, 1918.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of California.

Dated at San Francisco, California this 8th day of October, 1917.



Max Thelen
H. D. Loveland
Miss Gordon
Edwin C. Ege
Frank R. Holm

Commissioners.