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Decision No. _____

ORIGINAL

Decision No. 5100

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

* * *

In the Matter of the Application of WESTERN STATES GAS AND ELECTRIC COMPANY, a corporation, for an order authorizing the issue of preferred stock of the par value of \$178,000.00.	}	<u>Application Number 3374.</u>
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Chickering & Gregory and Samuel Kahn by Samuel Kahn
for applicant.

LOVELAND, Commissioner.

O P I N I O N .

WESTERN STATES GAS AND ELECTRIC COMPANY asks authority to issue \$178,000.00 par value of 7 per cent preferred stock. Applicant intends to sell the stock for not less than par, but asks permission to pay, if necessary, a ten per cent commission to sell the stock. In its amended application, applicant asks permission to use the proceeds from the sale of stock to pay in part for improvements installed prior to October 31, 1917, to which reference will be made hereafter.

On October 31, 1917, Western States Gas and Electric Company reported assets and liabilities as follows:

ASSETS:

Plant and Franchises,		\$7,884,365.69
Construction Account,		3,550,190.73
Sinking Funds,		2,661.34
American River Electric Bonds in Sinking Fund,		149,000.00
Bonds in Treasury,		7,000.00
Stock in other companies,		6,665.00
Current assets:		
Cash,	\$44,415.56	
Special Deposits,	300.00	
Notes Receivable,	887.81	
Accounts Receivable,	181,234.41	
Materials and Supplies,	159,368.12	
Motors leased,	1,172.30	
Signs leased,	9,819.73	
Total Current Assets,		397,197.93
Prepaid Insurance,		1,861.53
Discount on Securities,	427,809.81	
Unamortized discount on Securities and expense,	280,352.07	
Total Discount,		708,161.88
Depreciation and Renewal Funds,		25,500.00
Suspense items,		23,522.71
TOTAL ASSETS,		\$12,756,126.81

LIABILITIES:

Stock:		
Common,	3,231,500.00	
Preferred,	2,125,000.00	5,356,500.00
Funded Debt:		
Western States Gas & Elec.Co.,	4,472,500.00	
American River Electric Co.,	480,000.00	
10-Year Notes of Western States Gas & Electric Co.,	1,564,000.00	6,516,500.00
Current Liabilities:		
Notes Payable,	103,000.00	
Accounts Payable,	101,771.47	
Due Standard Gas & Electric Co.,	69,420.51	
Consumers Deposits,	15,158.75	
Unclaimed Checks,	799.18	290,149.91
Accruals not due:--		
Bond Interest,	101,031.25	
Coupon Note Interest,	23,460.00	
General Interest - credit,	467.34	
Interest on Consumers Deposits,	136.43	
Taxes Accrued,	33,011.91	
Preferred Dividends,	12,395.83	169,568.08
Reserve for Bad Debts,		6,641.88
Depreciation Reserve,		264,852.02
Surplus,		151,914.92
TOTAL LIABILITIES,		\$12,756,126.81

Applicant has reported its revenues and disbursements for the calendar years 1914, 1915 and 1916, and for the ten months ending October 31, 1917, as follows:

I t e m	:Year Ending	:Year Ending	:Year Ending	:Ten Months
	:December 31,	:December 31,	:December 31,	:Ending Oct.
	: 1914.	: 1915.	: 1916.	:31, 1917.
Operating Revenues	:\$ 1,117,867.21	:\$ 1,182,927.00	:\$ 1,239,337.68	:\$ 1,139,314.90
Operating Expenses	: 594,038.86	: 606,694.99	: 632,061.79	: 607,808.83
Net Operating Revenue	: 523,828.35	: 576,232.01	: 607,275.89	: 531,506.07
Non-Operating Revenue	: - -	: 907.03	: - -	: 2,421.32
Gross Corporate Income	: 523,828.35	: 577,139.04	: 607,275.89	: 533,927.39
Deductions:				
Bond Interest	: 238,303.74	: 276,877.90	: 285,239.09	: 251,087.62
Other Interest	: 37,296.37	: 3,862.46	: 7,013.55	: 17,622.38
Miscellaneous	: 3,925.70	: 11,308.25	: 18,003.73	: 19,821.02
Total	: 279,525.81	: 292,048.61	: 310,256.37	: 288,531.02
Net Corporate Income	: 244,302.54	: 285,090.43	: 297,019.52	: 245,396.37
Surplus Beginning of Year	: 106,473.56	: 127,309.10	: 144,739.89	: 139,605.40
Miscellaneous Additions:				
Dividends on Preferred	: - -	: - -	: - -	: 1,462.08
Stock	: 148,750.00	: 148,750.00	: 148,750.00	: 123,875.00
Dividends on Common Stock	: - -	: 30,295.30	: 74,728.41	: 60,673.93
Depreciation	: 60,000.00	: 60,000.00	: 60,000.00	: 50,000.00
Other Deductions	: 14,717.00	: 28,614.34	: 18,675.60	: - -
Surplus End of Year	: 127,309.10	: 144,739.89	: 139,605.40	: 151,914.92

In its amended application, Western States Gas and Electric Company reports that for the eleven months ending October 31, 1917, it has expended for improvements to its system and the purchase of properties, the sum of \$816,097.36. These expenditures have been incurred for the following purposes:

Purchase of water and ditch system of Placerville Gold Mining Company,	\$215,005.31
Electric Production System,	132,677.46
Electric Transmission System,	113,105.84
Electric Distribution System,	207,797.73
Gas Production System,	43,375.52
Gas Distribution System,	90,570.13
General Purposes,	13,565.37

The Commission by Decision Number 4183 dated March 16, 1917, as amended, (Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 681),/to issue \$1,564,000.00 of 10 year 7 per cent notes. Of the proceeds the company was authorized to use \$215,000.00 to finance the purchase of the water and ditch system of Placerville Gold Mining Company, and \$312,474.86 to pay for improvements. Deducting the two amounts from the construction expenditures for the eleven months ending October 31, 1917, leaves a balance of \$288,622.50, against which no stock or bonds have been issued.

In Exhibit Number 1, attached to the original petition herein, applicant reports notes payable, as of October 31, 1917, as follows:

P a y e e	Rate	Maturity	Amount
Stockton Savings and Loan Society Bank	6%	11-18-17	\$25,000.00
Anglo & London Paris National Bank -S.F.	6%	12-18-17	25,000.00
Anglo & London Paris National Bank -S.F.	6%	1-17-18	25,000.00
First National Bank - Stockton	6%	11- 9-17	10,000.00
Bank of Eureka	6%	10-30-17	18,000.00
Total,			103,000.00

In addition, applicant as shown in its balance sheet of October 31, 1917, reports accounts payable \$101,771.47; due Standard Gas and Electric Company \$69,420.51.

Applicant reports, as said above, the installation of improvements costing \$288,622.50, against which the Commission has not authorized the issue of stock, bond or notes. I recommend that applicant be granted authority to issue \$178,000.00 of its 7 per cent preferred stock to finance in part the cost of these improvements. Rather than use the proceeds or any part thereof to reimburse its treasury, I believe that applicant should apply the proceeds from the sale of the stock directly to the payment of current indebtedness.

Applicant has entered into no contract for the sale of the \$178,000.00 of preferred stock. No doubt some of the current indebtedness existing on October 31, 1917 has since been paid. Other indebtedness may have been incurred. Some of applicant's present current indebtedness may have to be paid before it can sell the stock. Under these circumstances, I believe that applicant's needs will be fully met if the order herein provides for the issue of the stock subject to the condition that the proceeds be used to pay such of applicant's current indebtedness as the Railroad Commission may authorize by a supplemental order or orders herein.

I herewith submit the following form of order.

O R D E R.

WESTERN STATES GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for authority to issue \$178,000.00 of its 7 per cent preferred capital stock, a public hearing having been held, and it appearing to the Railroad Commission 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, and that such purpose or purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that WESTERN STATE GAS AND ELECTRIC COMPANY be, and it is hereby, granted authority to issue \$178,000.00 par value of its 7 per cent preferred capital stock, upon the following conditions:

(1).-- The stock shall be sold for not less than par; provided that applicant may expend, if necessary, in connection with the sale of said stock, an amount equivalent to not more than 10 per cent of the par value of the stock sold.

(2).-- The proceeds from the sale of the stock shall be used to

pay current indebtedness, as hereafter authorized by the Railroad Commission in a supplemental order or orders herein.

(3).- Applicant shall keep a true and correct account showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued, and shall, on or before the twenty-fifth day of each month make a verified report to the Railroad Commission, all in accordance with the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

(4).- The authority herein granted shall apply only to such stock as shall be issued on or before December 31, 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 4th day of February, 1918.

Manuel
Howard
Anderson
Stuart R. Johnson

Commissioners.