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ORIGINAL

Decision No. 5467

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
 ECONOMIC GAS COMPANY,)
 a corporation, for an order authori-) Application Number 3714.
 zing the renewal of a promissory)
 note of \$28,500.00.)

In the Matter of the Application of)
 ECONOMIC GAS COMPANY,)
 a corporation, for an order authori-) Application Number 3758.
 zing the execution of promissory)
 notes aggregating the sum of)
 \$32,500.00.)

Chickering & Gregory by Allen Chickering for applicant;
A.A. Sanderson for Welsbach Company.

BY THE COMMISSION:

O P I N I O N.

ECONOMIC GAS COMPANY, in the above entitled applications, asks authority to issue notes having an aggregate face value of \$61,000.00.

A hearing was held on these applications before Examiner Encell at San Francisco.

The applications were consolidated for decision.

The testimony in Application Number 3714 shows that on June 17, 1914, applicant issued to Economic Gas Appliance Company its one-day 6 per cent note for \$37,000.00 in consideration for materials and supplies sold and delivered to it. Thereafter, Economic Gas Appliance Company endorsed and transferred the note to the Welsbach Company. The payment of the note is secured by

bonds issued and pledged, pursuant to the authority granted by the Railroad Commission in Decision Number 2355, dated May 5, 1915, (Vol. 6, Opinions and Orders of the Railroad Commission of California, pg. 792). The company has paid \$8,500.00 of the principal of said note leaving \$28,500.00 still due. Applicant reports that as payments have been made on the note a proper proportion of the bonds pledged have been returned to its treasury. Unless the note is renewed prior to June 18, 1918, it will be barred by the Statute of Limitations.

In Application Number 3758, applicant asks authority to issue four \$8,125.00 6 per cent notes dated May 16, 1918. One of these notes will be payable on or before August 15, 1918, one on or before November 15, 1918, one on or before February 15, 1919 and one on or before May 15, 1919.

The testimony shows that prior to July 1, 1915, applicant was purchasing from Southern California Gas Company, gas under a contract dated October 26, 1912 as amended by a contract dated June 20, 1913. Subsequent to the execution of this contract, a controversy arose between applicant and Southern California Gas Company as to its interpretation and meaning. Applicant contended that under the contract Southern California Gas Company was obligated to furnish to it pure natural gas as distinguished from a mixed gas consisting part of natural and part artificial gas. A difference of opinion also arose as to the price to be paid for the gas so delivered. In October 1916, applicant filed in the Superior Court of the State of California in and for the County of Los Angeles against Southern California Gas Company an action to recover damages on account of the failure of Southern California Gas Company to deliver pure natural gas. The Southern California Gas Company filed an answer and counter claim seeking, among other things, to recover the purchase price of the gas sold, this

amount being reported at \$73,737.49 together with interest thereon. Economic Gas Company and Southern California Gas Company have since the filing of said action reached a compromise, under the terms of which Economic Gas Company proposes to issue to Southern California Gas Company four \$8,125.00 6 per cent notes. None of the promissory notes is made payable more than one year from its date of issue, but the controversy between the two companies involves two notes, one for \$5,000.00 and one for \$10,000.00 given by officers of Economic Gas Company to Southern California Gas Company. Because of these two notes being involved in the controversy, the Southern California Gas Company takes the position that the issue of \$32,500.00 of notes in order to be valid should be authorized by the Railroad Commission.

O R D E R.

ECONOMIC GAS COMPANY having applied to the Railroad Commission for authority to issue notes in amounts as set forth in the foregoing opinion and a public hearing having been held,

IT IS HEREBY ORDERED that ECONOMIC GAS COMPANY be, and it is hereby, granted authority to issue to Welsbach Company its 6 per cent one-day promissory note for the sum of \$28,500.00 for the purpose of paying or refunding the \$28,500.00 note now held by Welsbach Company, and to issue and pledge to secure the payment of said \$28,500.00 note, bonds in such an amount, so that the face value of the note for which said bonds shall be pledged as collateral, shall in no event be less than approximately 66-2/3 per cent of the face value of the collateral pledged. As payments are made on said note a proper proportion of the bonds pledged as collateral shall be returned to applicant's treasury and thereafter issued only upon further order of the Railroad Commission. Applicant may,

if it so desires, renew the promissory note herein authorized to be issued from time to time for periods not exceeding in the aggregate with the term of the first renewal, the term of one year.

IT IS HEREBY FURTHER ORDERED that ECONOMIC GAS COMPANY be, and it is hereby, granted authority to issue to Southern California Gas Company four \$8,125.00 6 per cent notes dated May 16, 1918, one of said notes to be payable on or before August 15, 1918, one on or before November 15, 1918, one on or before February 15, 1919 and one on or before May 15, 1919.

The authority herein granted is granted upon the following conditions, and not otherwise:

(1).--Economic Gas Company shall file with the Railroad

Commission a copy of the compromise agreement between itself and the Southern California Gas Company, together with a statement showing that all claims of each against the other have been released and discharged through the issue and payment of the four \$8,125.00 notes herein authorized to be issued.

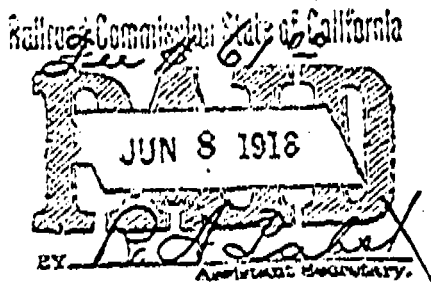
(2).--Applicant shall keep separate, true and accurate

accounts showing the receipt and application in detail of the proceeds of the notes herein authorized to be issued, and on or before the twenty-fifth day of each month applicant shall make verified reports to the Railroad Commission stating the disposition of the notes herein authorized to be issued and the proceeds thereof, and in this and all other respects applicant shall comply fully with this Commission's General Order Number 24, which order in so far as applicable, is made a part of this order.

(3).--The authority herein granted shall not become effective until Economic Gas Company has paid the fee prescribed by the Public Utilities Act.

(4).--The authority herein granted shall apply only to such notes as shall have been issued on or before June 1, 1919.

Dated at San Francisco, California, this 5th day of June, 1918.



H. S. Loveland

Edwin O. Edgerton

Frank Devereux

Commissioners.