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ORIGINAL

Decision No. 5528

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
WESTERN STATES GAS AND ELECTRIC COMPANY,)
a corporation, for authority to create)
a note indebtedness in the sum of)
\$1,500,000 and to secure the same by)
the pledge of bonds and to issue, sell)
and dispose of such notes to the extent)
of \$690,000 face value.)

Application Number 2868.

Chickering & Gregory by Allen Chickering
for applicant.

LOVELAND, Commissioner.

O P I N I O N.

WESTERN STATES GAS AND ELECTRIC COMPANY, in this application as amended, asks authority to execute an agreement securing the payment of \$1,500,000 of 5-year 6½ per cent collateral trust notes payable August 1, 1923; to issue \$690,000 of said notes at not less than 94 per cent of their face value; to issue interim certificates having a face value of \$690,000, pending the delivery of the \$690,000 of notes, and to issue and pledge \$931,500 of its first and refunding 5 per cent gold bonds payable June 1, 1941.

In Exhibit No. 4, attached to the petition herein applicant reports its assets and liabilities as of May 31, 1918, as follows:

ASSET ACCOUNTS:

Property, Rights and Franchises,	\$7,883,417.58
Construction - prior to January 1, 1913,	1,509,226.01
Construction - since December 31, 1912,	2,322,918.95
Treasury Securities,	149,703.61
Bonds,	\$20,003.61
Preferred Stock,	129,700.00
Securities of Other Corporations,	6,065.00
Sinking Funds,	52,658.51
American River Electric Co. -bonds redeemed,	153,000.00
Cash,	32,937.49
Notes Receivable,	519.54
Accounts Receivable -net,	192,236.96
Materials and Supplies,	156,723.80
Prepaid Insurance,	3,292.41
Motors Leased,	1,172.30
Signs Leased,	8,048.59
Unamortized Discount on Securities and Expense,	643,807.82
Other Current Assets,	30,282.40
Other Suspense,	22,874.03
<u>TOTAL ASSET ACCOUNTS,</u>	<u>\$13,168,885.00</u>

LIABILITY ACCOUNTS:

Capital Stock,	\$ 5,534,500.00
Preferred,	\$2,303,000.00
Common,	3,231,500.00
Funded Debt,	6,457,500.00
Western States Gas and and Electric Company bonds, 4,413,500.00	
American River Electric Company bonds,, 480,000.00	
Western States Gas and Electric Company Ten Year Notes, 1,564,000.00	
Notes Payable,	250,816.87
Due Standard Gas and Electric Company,	258,106.47
Accounts Payable,	121,699.37
Bond Interest Accrued,	10,000.00
Coupon Note Interest Accrued,	31,280.00
General Interest Accrued,	157.25
Interest Accrued on Consumers' Deposits,	117.99
Taxes Accrued,	51,391.61
Preferred Stock Dividends Accrued,	25,095.00
Consumers' Deposits,	16,810.82
Unclaimed Checks,	810.37
Reserve for Accrued Depreciation,	300,991.58
Surplus,	109,607.67
<u>TOTAL LIABILITY ACCOUNTS,</u>	<u>\$13,168,885.00</u>

In reports on file with the Railroad Commission, applicant reports its revenues and expenses as follows:

I t e m	1 9 1 7	1 9 1 6	1 9 1 5
<u>Electric Operations:</u>			
Operating Revenues	\$1,089,906.09	\$ 984,299.53	\$ 944,193.41
Operating Expenses	589,130.70	509,702.48	544,432.54
Net Operating Revenue,.....	500,775.39	474,597.05	399,760.87
<u>Gas Operations:</u>			
Operating Revenues	292,121.20	255,038.15	238,733.59
Operating Expenses	153,747.14	122,359.31	122,262.45
Net Operating Revenue,.....	138,374.06	132,678.84	116,471.14
<u>Water Operations:</u>			
Operating Revenues	20,842.45	--	--
Operating Expenses	18,189.48	--	--
Net Operating Revenue,.....	2,652.97	--	--
<u>Total Operating Revenues</u>	1,402,869.74	1,239,337.68	1,182,927.00
<u>Total Operating Expenses</u>	761,067.32	632,061.79	666,694.99
<u>Total Net Operating Revenue:</u>	641,802.42	607,275.89	516,232.01
<u>Non-Operating Revenue:</u>			
Interest	--	--	907.03
Miscellaneous	--	--	--
Total,.....	--	--	907.03
Gross Corporate Income	641,802.42	607,275.89	517,139.04
<u>Deductions:</u>			
Interest on Funded Debt	306,698.45	285,239.09	276,877.90
Other Interest	18,650.25	7,013.55	3,862.46
Depreciation	60,000.00	60,000.00	--
Amortization of Debt Discount and Expense	17,424.20	12,465.86	6,690.35
Miscellaneous	7,871.18	5,537.87	4,617.90
Total Deductions,.....	410,644.08	370,256.37	292,048.61
Balance to be added to Accumulated Surplus	231,158.34	237,019.52	225,090.43
Accumulated Surplus beginning of Year	139,605.40	144,739.89	127,309.10
Miscellaneous Additions to Surplus:	2,712.08	3,150.00	1,385.66
Accumulated Surplus plus Additions	373,475.82	384,909.41	353,785.19
<u>Deductions:</u>			
Dividends on Common Stock	77,556.00	74,728.41	30,295.30
Dividends on Preferred Stock	148,750.00	148,750.00	148,750.00
Depreciation charged to Surplus	--	--	30,000.00
Miscellaneous	48,672.78	21,825.60	--
Total Deductions,.....	274,978.78	245,304.01	209,045.30
Accumulated Surplus End of Year	98,497.04	139,605.40	144,739.89

The 1915 operating expenses include an allowance of \$60,000 for depreciation.

Samuel Kahn, vice-president and general manager of the Western States Gas and Electric Company, reports that the company, under its deed of trust, may issue \$937,148.00 of its first and refunding mortgage bonds. Of this amount, the company intends to use \$931,500.00 as collateral to secure the payment of \$690,000 of its proposed 5-year 6½ per cent collateral trust notes.

Applicant asks authority to execute an agreement substantially in the same form as the agreement marked Exhibit No. 10 and attached to the petition herein, for the purpose of securing the payment of \$1,500,000 of 5-year 6½ per cent collateral trust notes. The company agrees to keep on deposit with the Union Trust Company of San Francisco, trustee under the agreement, a sufficient amount of its first and refunding mortgage bonds so as to render the collateral trust notes legal investments for savings banks under the terms of the Bank Act of the State of California.

At this time, as said above, applicant asks authority to issue and pledge \$931,500 of its first and refunding mortgage bonds for the purpose of securing the payment of \$690,000 of its collateral trust notes. It asks authority to pledge the bonds at the ratio of 135 per cent of ~~xxx~~ bonds for each 100 per cent of notes issued. Mr. Kahn believes that this ratio allows a sufficient margin so that it will not be necessary to pledge any additional bonds to render the \$690,000 of notes available for investments for savings banks. While I am willing to recommend the approval of the collateral trust agreement, it should, however, be understood that such approval in no way commits the Commission to authorize the issue of more than \$931,500 of bonds as security for the payment of the \$690,000 of notes. If it should become necessary to deposit additional

collateral, the matter of issuing bonds for that purpose will have to be taken up in a subsequent proceeding.

In Exhibit No. 9, attached to the petition herein, applicant reports its estimated capital expenditures for the year ending May 31, 1919, as follows:

I t e m	Stockton Division	Richmond Division	Eureka Division
<u>Electric Production:</u>			
Steam Power Plant Buildings and General Structures	\$ --	\$ --	\$ 3,000.00
Sierra Development	15,000.00	--	--
<u>Electric Transmission:</u>			
Poles and Fixtures	3,000.00	--	--
Overhead System	12,000.00	--	--
Substation Buildings and General Structures	--	800.00	--
Substation Equipment - Transfor- mers and Regulators	25,100.00	2,175.00	--
<u>Electric Distribution:</u>			
Poles & Fixtures including new Feeders	39,000.00	5,500.00	8,000.00
Overhead System including new Feeders	62,000.00	8,000.00	12,000.00
Underground Conduits and Sub- marine	6,900.00	--	3,500.00
Miscellaneous Equipment	--	550.00	--
Line Transformers & Devices	30,000.00	4,500.00	5,000.00
Electric Services - O.H.	--	2,900.00	3,500.00
Underground Services	1,000.00	--	--
Electric Meters	24,000.00	3,000.00	2,500.00
Municipal Street Lighting System	2,000.00	6,500.00	--
<u>Gas Production:</u>			
Gas Generators	--	--	10,000.00
Accessory Equipment at Works	5,000.00	--	--
Miscellaneous Production Equip- ment	2,500.00	--	--
<u>Gas Distribution:</u>			
Distribution Mains	51,000.00	--	500.00
Gas Services	22,000.00	--	500.00
Gas Meters	20,000.00	--	500.00
Belt Line	16,000.00	--	--
<u>General:</u>			
Interest during Construction	5,000.00	--	--
General Structures	8,000.00	--	--
General Office Equipment	1,500.00	325.00	500.00
General Shop Equipment	500.00	--	--
General Store Equipment	500.00	--	--
General Stable & Garage Equip- ment	7,000.00	500.00	1,500.00
Total All Construction	359,000.00	34,750.00	51,000.00

Applicant reports that from November 30, 1916, to May 31, 1918, it has expended for capital purposes \$1,098,051.59. Of this amount, \$66,733.75 was financed through applicant's depreciation reserve, leaving \$1,031,317.84 to be financed through the issue of securities. Part of the \$1,031,317.84 expended for capital purposes, has been paid through the use of \$527,474.86 obtained from the sale of 10-year 6 per cent notes issued pursuant to Decision Number 4183, dated March 16, 1917, and part through the use of \$27,500.00 obtained from the sale of preferred stock issued pursuant to Decision Number 5100 dated February 4, 1918. The total payments made on account of capital expenditures to May 31, 1918, aggregate \$554,974.86, leaving a total of \$476,342.98 of capital expenditures which applicant intends to finance through the issue of its 5-year 6½ per cent collateral trust notes. It asks authority that it be permitted to use \$476,342.98 of the proceeds from the sale of its notes to pay part of the indebtedness set forth in Exhibits No. "2" and "3", attached to the petition herein.

Mr. Kahn testified that the industrial developments in Stockton, Eureka and Richmond and the agricultural developments in applicant's territory, make it necessary for applicant to extend its system and install the improvements referred to in Exhibit No. "9", the cost of which is estimated at \$444,750.

Applicant has made arrangements for the sale of the \$690,000 of notes, and pending the actual delivery of the notes desires to issue interim certificates. Upon the delivery of the notes, these interim certificates will be canceled.

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 execute a collateral trust agreement and to issue bonds and notes as indicated in the foregoing opinion, 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 and that the expenditures for 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 STATES GAS AND ELECTRIC COMPANY be, and it is hereby, granted authority to execute a collateral trust agreement substantially in the same form as the agreement attached to the petition herein and marked Exhibit Number "10".

IT IS HEREBY FURTHER ORDERED that WESTERN STATES GAS AND ELECTRIC COMPANY be, and it is hereby, granted authority to issue \$690,000.00 of 5-year 6-1/2 per cent collateral trust notes payable August 1, 1923, or in lieu thereof, a like amount of interim certificates, and to issue and pledge as security for the payment of said notes \$931,500.00 of its first and refunding 5 per cent gold bonds payable June 1, 1941.

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

(1).-- The notes herein authorized to be issued shall be sold for not less than 94 per cent of their face value plus accrued interest.

(2).-- Of the proceeds realized from the sale of the notes herein authorized, \$476,342.98 may be used to

finance construction expenditures prior to May 31, 1918, and pay indebtedness referred to in Exhibits Number "2" and "3", attached to the petition herein. The remaining proceeds shall be used to finance construction expenditures referred to in Exhibit Number "9", attached to the petition herein.

(3).-- The approval herein given of the collateral trust agreement 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 collateral trust agreement as to such other legal requirements, to which said collateral trust agreement may be subject.

(4).-- The authority herein granted to execute a collateral trust agreement substantially in the same form as the agreement attached to the petition herein and marked Exhibit No. "10", shall not be interpreted as authorizing the issue and deposit of bonds in excess of \$931,500, it being understood that if it should become necessary to deposit additional bonds under the terms of said agreement, the matter of issuing and depositing such additional bonds will be taken up in a subsequent proceeding.

(5).-- After the notes herein authorized to be issued shall have been paid, the bonds pledged as collateral security for the payment of said notes shall be returned to applicant's treasury and thereafter issued only upon further order of this Commission.

(6).--- On or before the twenty-fifth day of each month applicant shall file with the Railroad Commission such statements as are required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7).--- The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(8).--- The authority herein granted shall apply ^{to} only such notes and bonds as may be issued or pledged on or before December 15, 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 1st day of July, 1918.

Erwin C. Edgerton
W. H. ...
...
Frank ...

Commissioners.

Railroad Commission State of California

JUL 2 1918
BY V. H. ...
Assistant Secretary.