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

ORIGINAL

Decision No. 5597

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
CONTRA COSTA GAS COMPANY, )  
a corporation, for an order to issue )  
500 shares of the stock of said cor- )  
poration at 85 per cent of the par )  
value thereof. )

Application Number 3874.

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S. Waldo Coleman for applicant.

BY THE COMMISSION:

O P I N I O N.

CONTRA COSTA GAS COMPANY asks authority to issue at not less than \$85.00 per share 500 shares of its common capital stock and use the proceeds obtained from the sale of said stock for the purposes hereinafter indicated.

A hearing on this application was held before Examiner Encell at San Francisco on July 9.

Contra Costa Gas Company was organized on or about April 24, 1914. It operates in Pittsburg, Antioch, Concord, Martinez, Port Costa, Crockett and adjacent territory, all in Contra Costa County.

Applicant reports that to December 31, 1917, it has expended for construction purposes \$240,475.19. The detail of these expenditures are reported in an exhibit attached to the petition in Application Number 3493. Applicant further reports that pursuant to the authority granted by the Commission in Decision Number 1878, dated October 15, 1914, (Vol. 5, Opinions and Orders of the Railroad Commission of California, pg. 594) it has sold \$61,150.00 of

stock for \$49,530 and \$109,000 of bonds for \$98,250. In Decision Number 5161, dated February 26, 1918, the Commission authorized applicant to sell \$50,000 of bonds. From the sale of these bonds, applicant realized \$46,750. The total amount realized from the sale of stock and bonds is reported at \$194,530. Deducting the \$194,530 from applicants reported construction expenditures to December 31, 1917, leaves \$45,945.19, against which no stock or bonds have been issued.

Applicant reports notes payable amounting to \$43,250, while its accounts payable on April 30, 1918 amounted to \$37,813.92. Applicant asks permission to sell 500 shares (\$50,000) of its common capital stock at not less than \$85.00 per share and use the proceeds to pay current indebtedness incurred for capital expenditures.

The \$240,475.19 of construction expenditures incurred to December 31, 1917, includes \$19,962.38 of development expense. The testimony in this proceeding shows that it has been the practice of applicant to charge the cost of obtaining new business during a period of twelve months after entering a city or town, to development expense. Subsequent to the twelve months, the cost of obtaining new business has been and is being included in operating expenses. Applicant proposes to amortize the development expense within a period of ten years. Through amortization, it intends to substitute for the development expense, tangible property of an equal cost and not issue any additional stock or bonds against such property.

Reference is here made to Decision Number 5161, dated February 26, 1918, which shows applicant's revenues and expenses for the years 1916 and 1917, and its assets and liabilities as of December 31, 1917.

O R D E R.

CONTRA COSTA GAS COMPANY having applied to the Railroad Commission for authority to issue \$50,000 of its common capital stock, a public 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 such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that CONTRA COSTA GAS COMPANY be, and it is hereby, granted authority to issue and sell for cash at not less than \$85.00 per share, 500 shares (\$50,000) of its common capital stock, upon the following conditions, and not otherwise:

(1).-- Applicant shall use the proceeds from the sale of said stock to pay notes and accounts payable representing indebtedness incurred because of capital expenditures prior to December 31, 1917.

(2).-- Applicant shall keep true and accurate accounts showing the receipt and application in detail of the proceeds from 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 as required by the 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 apply only to such stock as may be issued on or before August 1, 1919.

Dated at San Francisco, California, this 17th day of July, 1918.

Edwin O. Edgerton  
H. O. Leland  
W. G. Leland

Commissioners.