

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
Sacramento Natural Gas Company, for ) Application No. 446  
permission to issue bonds of the par )  
value of \$200,000. )

Devlin & Devlin and Irving D. Gibson for  
applicant.

GORDON, COMMISSIONER.

O P I N I O N

Sacramento Natural Gas Company in this application requests permission to issue 200 of its first mortgage 30-year 6 per cent gold bonds of the par value of \$200,000, secured by a deed of trust executed on October 2, 1911, by applicant to F. W. Kiesel and F. L. Martin, as joint trustees. Sacramento Natural Gas Company was incorporated in December, 1895 with a capital stock of the par value of \$120,000, which in May, 1903, was increased to \$500,000, consisting of 10,000 shares of the par value of \$50 a share. Applicant has issued 8,582 shares of its capital stock of the par value of \$429,100.

On October 2, 1911, applicant executed a mortgage to secure a bond issue of the par value of \$400,000, of which \$200,000 has already been issued. Applicant now applies for permission to issue the remaining \$200,000 par value of bonds.

Applicant is engaged in the development and distribution of natural gas in the City of Sacramento, Sacramento County, and in the Town of Lodi, San Joaquin County, California.

The plant and equipment of applicant consists of 5.2 miles of mains in Sacramento and 2.7 miles of mains in Lodi, together with buildings, real estate, machinery, gas wells, gas

holders, meters and miscellaneous equipment, aggregating an original cost to applicant as set out in the application, of \$744,486.72. From the evidence submitted by applicant at the hearing it appears that there is a considerable margin between the value of applicant's property and the face value of its issued capital stock and obligations.

Applicant now desires to make certain extensions and improvements in its plant and equipment at Sacramento. Applicant now has seven gas wells in operation at Sacramento and desires to bore one additional well in order to meet the increased demands for service. Applicant desires also to construct a new gas holder and to make considerable extensions of mains and service pipes throughout the city. Through these extensions, applicant contemplates securing approximately 900 new subscribers. Applicant is already serving in the City of Sacramento, 5007 subscribers and using for this purpose approximately 220,000 cubic feet of gas per day. In addition to these contemplated extensions in the plant and equipment of applicant, applicant desires to pay off certain indebtedness heretofore created, the money so borrowed having been spent entirely in the extension and improvement of the gas distributing system of applicant. Applicant estimates the expenditures to be made from the proceeds derived from the sale of the bonds which it now desires to issue as follows:

1. The payment of a promissory note of the face value of \$19,500, dated March 26, 1913, payable to California National Bank of Sacramento, the proceeds of which were spent in the construction of applicant's plant - - - - \$19,500
2. Reimbursement of the treasury of applicant for amounts paid from income within the past 5 years for improvements in the plant of applicant - - - - - 4,100
3. Construction of a gas holder - - - - - 35,000
4. Purchase of land upon which gas holder is to be constructed - - - - - 6,000
5. Nine hundred meters at \$6.00 - - - - - 5,400

Carried forward - - - - - \$70,000.00

6. Extensions of mains and service pipes:

2000 ft.	3" pipe	- - - - -	\$60.00	
40000 "	1 1/2" " Wrought	- - - - -	2408.00	
12400 "	2 " "	- - - - -	1201.00	
7500 "	3 " "	- - - - -	1502.00	
15000 "	4 " "	- - - - -	4440.00	
11200 "	6 " "	- - - - -	5853.00	
12800 "	8 " Cast pipe	- - - - -	9728.00	
12200 "	12 " "	- - - - -	15860.00	41,052.00
Dipping wrought pipe	- - - - -		1720.00	
18 1/2 tons lead	- - - - -		2000.00	
Oakum	- - - - -		50.00	
Cast iron fittings	- - - - -		700.00	
Wrought iron fittings	- - - - -		1000.00	5,470.00
Cost of labor for laying cast iron				
50 blocks	- - - - -		15000.00	
Cost of labor for laying wrought				
pipe	- - - - -		28750.00	
Cost of labor for laying service-				
pipes	- - - - -		5000.00	48,750.00

7. Boring of gas well - - - - - 15,000.00

T o t a l - - - - - \$180,272.00

Applicant stated at the hearing that it desired, if possible, to keep well within the above estimates. This being so, I do not see the need of applicant issuing bonds in the face value of \$200,000. Applicant stated that it was prepared to issue its bonds at not less than 95, and I accordingly recommend that applicant be permitted to issue its bonds to the par value of \$180,000 at not less than 95, and the proceeds to be used for the purposes above mentioned.

It appeared at the hearing that of the \$200,000 par value of bonds already issued by applicant, \$13,000 par value of these bonds, namely, bonds numbered 188 to 200 inclusive, were issued July 8, 1912. These bonds having been issued subsequent to March 23, 1912, the effective date of the Public Utilities Act, were issued in violation of section 52 of that Act. I am satisfied, however, that this violation of the Public Utilities Act was unintentional, and at the hearing applicant amended its application in this proceeding to include a request that the Commission ratify the issue of bonds made on July 8, 1912. As these bonds were disposed of at par and the entire amount

derived from the sale of them expended in the construction of applicant's plant, I recommend that the Commission authorize the issue of these bonds.

I recommend the following form of order:

O R D E R

Sacramento Natural Gas Company having applied to this Commission for permission to issue 200 of its first mortgage 30-year 6 per cent gold bonds of the par value of \$200,000, and for permission to issue 13 additional first mortgage 30-year 6 per cent gold bonds issued on July 8, 1912, in violation of section 52 of the Public Utilities Act,

And a hearing having been duly held upon this application, and the Commission finding that the purposes for which these bonds are to be issued and approved are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Sacramento Natural Gas Company be and the same is hereby authorized to issue 13 of its first mortgage 30-year 6 per cent gold bonds of the par value of \$13,000, said bonds to be issued so as to net applicant the par value thereof and the proceeds derived from the sale of said bonds are to be expended in the construction of applicant's plant, and

IT IS FURTHER ORDERED that Sacramento Natural Gas Company be and the same hereby is authorized to issue 180 of its first mortgage 30-year 6 per cent gold bonds of the par value of \$180,000 upon the following conditions, and not otherwise, to-wit:

1. Sacramento Natural Gas Company shall sell the 180 bonds herein authorized to be issued so as to net applicant not less than 95 per cent of the par value thereof.

2. The proceeds from the sale of these 180 bonds herein authorized to be issued shall be applied to the purposes set forth in the foregoing opinion, and which may be sum-

merized as follows:

- (a) Payment of note of applicant due California National Bank of Sacramento, dated of the face value of - - - - - \$19,500
- (b) Reimbursement of treasury of applicant for money expended during the past 5 years in improvements to applicant's plant - - - - - 4,100
- (c) Construction of gas holder - - - - - 35,000
- (d) Land upon which gas holder is to be constructed - - - - - 6,000
- (e) Meters - - - - - 5,400
- (f) Extensions of mains and service pipes - - - - - 95,000
- (g) Boring gas well - - - - - 15,000

3. Sacramento Natural Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said bonds hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

4. The authority herein given to issue bonds shall apply only to bonds issued by Sacramento Natural Gas Company on or before the 1st day of November, 1913.

5. The payment of the minimum fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

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 24th day of  
April, 1913.

H. D. Loveland  
W. E. Gordon  
Max Thelen  
Edwin C. Edgerton

Commissioners.

Railroad Commission State of California

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A. H. [Signature]  
BY Assistant Secretary