

Decision No. 6297

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
VALLEY NATURAL GAS COMPANY, a cor-  
poration, for an order authorizing the  
issue of common stock to refund out-  
standing preferred stock and bonds.

)  
)  
) Application No. 4532.  
)  
)

C. C. Spicer, for applicant.

MARTIN, Commissioner.

O P I N I O N

Valley Natural Gas Company asks permission to issue \$336,700.00 par value of common stock. Applicant intends to issue \$121,700.00 of the common stock to refund \$97,000.00 of bonds, and \$215,000.00 of the common stock to refund \$191,700.00 par value of 8 per cent cumulative preferred stock. In calculating the basis of conversion the bonds to be refunded are figured at par, the preferred stock at 90 and the common stock at 80.

In former decisions, the Railroad Commission authorized applicant to issue its preferred stock at 90 and its common stock at 80.

Applicant as of March 31, 1919, reports its asset and liability accounts as follows:-

Asset Accounts:

Fixed Capital .....	\$674,693.42
Cash .....	22,167.28
Accounts Receivable .....	47,925.98
Materials and Supplies .....	16,689.61
Unamortized Discount and Expense .....	75,277.73
Liberty Bonds .....	200.00
Suspense .....	<u>1,379.81</u>

Total Asset Accounts .....\$838,333.83

Liability Accounts:-

Capital Stock .....	\$255,000.00
Funded Debt .....	192,000.00
Accounts Payable .....	17,458.68
Interest Accrued .....	480.00
Taxes Accrued .....	55,173.27
Reserve for Accrued Depreciation .....	119,234.66
Appreciated Value of Fixed Capital .....	123,324.54
Corporate Surplus .....	<u>75,662.68</u>

Total Liability Accounts ...\$838,333.83

In Decision Number 4485, dated July 27, 1917, the Engineering Department of the Commission estimated the investment of Valley Natural Gas Company at \$652,537.98. The investment on March 31, 1919 is reported by the company at \$674,693.42. Deducting from the \$674,693.42 applicant's reserve for accrued depreciation - \$119,234.66 - leaves a balance of \$555,458.76.

On March 31, 1919, applicant reported stock and bonds outstanding as follows:-

Common Stock .....	\$ 63,300.00
Preferred Stock .....	191,700.00
Bonds .....	<u>192,000.00</u>
Total .....	\$447,000.00

If this application is granted and the common stock applied for issued, applicant will have outstanding:-

Common Stock .....	\$400,000.00
Bonds .....	<u>95,000.00</u>
Total .....	\$495,000.00

The testimony shows that all of the preferred stockholders and all of the common stockholders, except the owners of two shares have consented to the conversion of the preferred stock and \$97,000.00 of bonds into common stock. Applicant has been unable to get in touch with the owners of the two shares and is therefore not in a position to advise the Commission what the attitude of the owners of these two shares is in regard to the conversion of preferred stock and bonds into common stock.

If applicant's proposed plan is carried out, it will result in an increase of \$48,000.00 in the amount of stock and bonds outstanding against the properties. It should, however, be noted that \$97,000.00 of bonds and \$191,700.00 of 8 per cent cumulative preferred stock will be converted into common stock. The annual interest charges will be reduced from \$11,520.00 to \$5,700.00, or by the sum of \$5,820.00. It is applicant's intention to retire the remaining \$95,000.00 of bonds as soon as possible. The plan outlined in this application will permit the preferred stockholders and the bondholders who convert their bonds into common stock to participate to a larger extent than heretofore in the surplus earnings of the company, assuming, of course, that applicant's earnings do not decrease.

I herewith submit the following form of Order:-

O R D E R

VALLEY NATURAL GAS COMPANY having applied to the Railroad Commission for permission to issue \$336,700.00 par value of common stock for the purposes indicated in the foregoing Opinion, 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 Valley Natural Gas Company be, and it is hereby, granted authority to issue \$336,700.00 par value of its common stock for the following purposes and upon the following conditions:-

1.-The common stock herein authorized to be issued, shall be sold by applicant for not less than 80 per cent of its par value.

2.-Of the common stock herein authorized to be issued, \$121,700.00 par value shall be used by applicant for the purpose of refunding the \$97,000.00 of bonds and \$360.00 of interest, listed in the statement attached to the petition herein.

3.-Of the common stock herein authorized to be issued, \$215,000.00 par value shall be used to refund the \$191,700.00 par value of 8 per cent cumulative preferred stock now outstanding.

4.-Valley Natural Gas Company shall keep true and accurate record of the issue and sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month following the month during which any stock may be issued, make a verified report to the Railroad Commission, setting forth the fact and date of such issue and the consideration received therefor, all in accordance with the Railroad Commission's General Order No. 24,

which order, in so far as applicable, is made a part of this Order.

5.--The authority herein granted shall apply only to such stock as may be issued on or before November 30, 1919.

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 2<sup>nd</sup> day of May, 1919.

A. D. Loveland  
Frank R. Wilson  
H. B. Bunting  
Ivy Martin

Commissioners.