

Decision No. 7373

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application  
of NEEDLES GAS AND ELECTRIC COMPANY  
for authority to issue bonds, execute  
a mortgage and pay off outstanding  
bonds.

}  
} Application No. 5227.  
}

LeRoy M. Edwards for applicant.

BY THE COMMISSION:

O P I N I O N

Needles Gas and Electric Company applies for authority to execute a mortgage securing the payment of \$250,000 of its 6 per cent 25-year bonds, and sell \$90,000 of said bonds at not less than 90 per cent of their face value plus accrued interest.

Since the hearing applicant has filed an amendment to its application in which it reports that it may be impossible to sell its bonds at this time at an advantageous price, and that therefore, it believes that it is to its interest to pledge the bonds to secure the payment of a note or notes maturing in 2 or 3 years.

A hearing was held on this application by Examiner Westover at Los Angeles and the matter

submitted on evidence then produced and produced at the hearing on Application No. 5087, in which applicant asks permission to readjust its rates.

Applicant operates electric, gas and telephone plants at Needles, California. It reports 591 electrical consumers, 532 gas consumers and 317 telephone subscribers. The investment in its electric plant is reported at \$67,246.23; in its gas plant at \$51,072.03 and in its telephone plant \$19,416.73, making a total of \$137,734.99. The Commission's engineers estimate the historical cost of applicant's property at \$129,028. Applicant expressed satisfaction with the latter figure as a valuation for the purposes of this application.

Needles Gas and Electric Company reports 1000 shares (\$100,000) of stock outstanding, of which E. E. Rose owns 499 shares, R. S. Masson 499 shares and R. P. Davie 2 shares. All of its \$70,000 of outstanding bonds are owned by E. E. Rose. In addition to the \$70,000 bonded indebtedness, applicant has \$20,702.80 of notes outstanding. If this application is granted Messrs. Rose and Masson have agreed to cancel without compensation notes of applicant aggregating \$13,679.22 in their favor and have arranged that Mr. Masson will acquire the interest of E. E. Rose in the property. We believe from the report of the engineers of the Commission in the rate proceeding referred to that the plant will be operated under more favorable circumstances if Mr. Masson has complete control of it, and that service to consumers will be greatly improved.

The present mortgage of the Needles Gas and Electric Company provides for an authorized bond issue of \$100,000, of which \$70,000 are outstanding, \$20,000

have been cancelled, leaving only \$10,000 available to pay for future additions and betterments. Mr. Masson testified that in his opinion the company should expend approximately \$10,000 per annum for additions, betterments and improvements for the next two or three years, and thereafter approximately \$5,000 a year. Hence the present application for authority to execute a mortgage to secure a new bonded debt of \$250,000.

A copy of the proposed mortgage securing the payment of the bonds was filed with the Commission on March 4, 1920. Under its terms \$90,000 of the bonds may be certified forthwith by the trustee and the remainder from time to time to cover 50 per cent of the cost of additions and betterments, provided the net earnings of the company applicable to the payment of bond interest for a period of twelve months prior to the request for the certification of bonds are equal to at least one and a half times the annual interest on all bonds outstanding, together with the interest on the bonds which the trustee is requested to certify.

Applicant asks permission to use the monies obtained through either the sale or pledge of the \$90,000 of bonds to pay the outstanding \$70,000 of bonds and apply the remainder toward payment of outstanding notes/ and accounts. Ordinarily the Commission does not look with favor upon the pledging of bonds, but because of the peculiar circumstances of this case it believes that applicant should be given permission to either sell the bonds at not less than 90 per cent of their face value plus accrued interest, or pledge

them at such a ratio that the face value of the note or notes secured by the deposit of bonds will not be less than 80 per cent of the bonds deposited as collateral.

O R D E R

NEEDLES GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for permission to execute a mortgage and issue \$90,000 of bonds and notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property and labor to be procured and paid for by such issue is reasonably required by applicant and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Needles Gas and Electric Company be and it is hereby authorized to execute a mortgage substantially in the same form as the copy of proposed mortgage filed with the Railroad Commission on March 4, 1920.

IT IS HEREBY FURTHER ORDERED that Needles Gas and Electric Company be and it is hereby authorized to issue not exceeding \$90,000 face value of 6 per cent 25-year bonds and sell said bonds for cash at not less than 90 per cent of their face value plus accrued interest, or deposit the same as collateral to secure the payment of a note or notes payable not less than one year nor more than three years after date thereof, provided that the face value of the note or notes secured by the deposit of the bonds authorized herein will never be less than 80 per cent of the face value of bonds deposited.

IT IS HEREBY FURTHER ORDERED that Needles Gas and Electric Company be, and it is hereby, authorized, in the event that it is unable to sell its bonds upon the conditions herein specified, to issue at par a note or notes payable not less than one year nor more than three years from date, said note or notes to bear interest at the rate of not exceeding 7 per cent per annum.

The authority herein granted is upon the following conditions:

1. All moneys obtained either through the sale or pledging of bonds herein authorized shall be used by applicant to pay the \$70,000 of outstanding bonds of Needles Gas and Electric Company, to pay outstanding notes or to pay for additions and betterments to plant.

2. If applicant finds it necessary to pledge the bonds herein authorized as collateral security for the payment of notes, said bonds may from time to time during the life of the notes be sold at not less than 90 per cent of their face value plus accrued interest, and the proceeds used to pay the note or notes, or to pay for additions and betterments to plant.

3. The approval herein given of said mortgage 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 mortgage as to other legal requirements to which said mortgage may be subject.

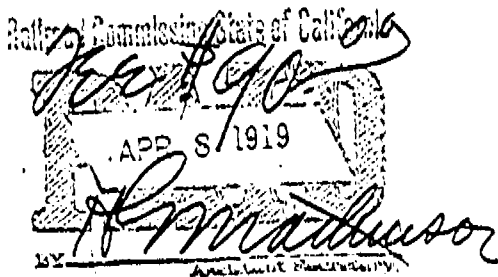
4. Needles Gas and Electric Company shall keep such record of the issue and sale of the bonds, note or notes herein authorized, and of the disposition of the proceeds, as

will enable it to file on or before the 25th day of each month a verified report as required by 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 will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. Except as otherwise herein provided in Condition No. 2, the authority herein granted will apply only to such bonds, note or notes as may be issued and sold on or before September 15, 1920.

Dated at San Francisco, California, this  
5th day of April, 1920.



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Commissioners.