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Decision No. 7857.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
WESTERN STATES GAS AND ELECTRIC COMPANY)
for an order authorizing the issue of)
its 5-year 6½ per cent notes of the par)
value of \$300,000.00)

Application No. 5877.

Chickering & Gregory, by Allen Chickering, for applicant.

DEVLIN, Commissioner.

O P I N I O N.

WESTERN STATES GAS AND ELECTRIC COMPANY asks permission to issue and sell at not less than 92 per cent of their face value and accrued interest \$300,000.00 of 6-1/2 per cent notes due August 1, 1923; issue and pledge \$439,000.00 face value of its 5 per cent bonds due June 1, 1943; to secure the payment of the \$300,000.00 of notes and other notes issue pursuant to the authority granted in Decision No. 5528, dated July 1, 1918 in Application No. 3868. Applicant further asks that it be permitted to use the proceeds obtained from the sale of its notes to reimburse its treasury because of moneys expended to pay for the construction of additions and betterments to May 31, 1920, referred to in exhibits attached to the petition herein.

Applicant reports that from November 30, 1916 to May 31, 1920, it has expended for additions and betterments the sum of \$2,039,904.87, of which it has paid \$1,731,767.80 through the sale of stock, bonds and notes and the temporary investment of reserve for accrued depreciation, leaving a balance of \$308,137.07, against which no stock, bonds or notes have been issued by it.

By Decision No. 6117, dated February 13, 1919, as amended, in Application No. 4312, the Railroad Commission authorized applicant to issue and sell at not less than 82-1/2 per cent of their face value plus accrued interest, on or before December 31, 1920, \$450,000. of bonds. Applicant reports that it has issued and sold \$252,000. of the bonds, leaving \$198,000. unissued. Applicant asks the Commission to modify the order in Decision No. 6117 so as to permit it to use the \$198,000. of unissued bonds as collateral. A supplemental order in Application No. 4312 will take care of this matter. The \$198,000. of bonds are included in the \$439,000. of bonds referred to in the first paragraph of this opinion.

By Decision No. 7276, dated March 17, 1920, the Railroad Commission, among other things, authorized applicant to use the proceeds from the sale of the \$198,400.00 of stock to pay the cost of constructing additions and betterments. None of this stock has been sold to date. Both the order in Decision No. 7276 and Decision No. 6117 have been modified, and as modified permit applicant to use the proceeds from the sale of stock or bonds only for such purposes as the Railroad Commission may hereafter authorize.

The testimony shows, that, although applicant asks permission to use the proceeds from the sale of the \$300,000.00 of notes to reimburse its treasury, it will use such proceeds after the reimbursement of its treasury to liquidate indebtedness reported in its Exhibit No. "1" and in its Exhibit No. "2".

By Decision No. 5528, dated July 1, 1918, in Application No. 3868, the Railroad Commission authorized applicant to execute an agreement to secure the payment of \$1,500,000.00 face value of 5-year 6-1/2 per cent collateral trust notes due August 1, 1923. Pursuant to the authority heretofore granted, applicant has issued \$690,000.00 of these notes and has secured the payment of such notes by the deposit of \$959,000.00 of its 5 per cent bonds. Applicant now asks permission to issue additional notes in the amount of \$300,000.00 to secure the

payment of such notes and those heretofore issued by the deposit of \$439,000.00 of additional bonds. If the notes herein authorized are issued and sold and the bonds deposited, applicant will have outstanding \$990,000.00 of its 6-1/2 per cent notes due August 1, 1923, the payment of which will be secured by \$1,398,000.00 of its 5 per cent bonds.

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 permission to issue \$300,000.00 of notes and issue and pledge \$439,000.00 of its 5 per cent bonds, a public hearing having been held and the Railroad 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 this 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, authorized to issue \$300,000.00 face value of its 6-1/2 per cent collateral trust notes, due August 1, 1923, and to issue and deposit as collateral to secure the payment of said notes and those notes heretofore issued pursuant to the authority granted in Decision No. 5528, dated July 1, 1918, \$439,000.00 face value of its 5 per cent bonds due June 1, 1941.

The authority herein granted is subject to the following conditions:

- 1.-- The notes herein authorized to be issued shall be sold by applicant, for cash, at not less than 92 per cent of their face value plus accrued interest and the proceeds used to reimburse

applicant's treasury and finance construction expenditures incurred prior to May 31, 1920, as reported in exhibits attached to the petition herein, provided that all of said proceeds be used to pay indebtedness reported in Exhibit No. "1" and Exhibit No. "2", attached to the petition herein.

2.--Of the bonds herein authorized to be issued and pledged as collateral security for the payment of notes, \$198,000.00 may be issued and sold pursuant to the authority granted by the Commission in Decision No. 6117, dated February 13, 1919, as amended.

The remainder of the bonds herein authorized to be issued and pledged as collateral shall upon the payment of the notes be returned to applicant's treasury, and thereafter issued only upon further order of this Commission.

3.--The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4.--On or before the 25th day of each month, applicant shall file with the Railroad Commission such statements as are 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 shall apply only to such notes and bonds as may be issued, sold and pledged on or before December 31, 1920.

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 10th day of July, 1920.

H. S. Loveland

Frank R. Johnson

H. R. Bondage

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Commissioners.

State of California
Railroad Commission

Fee \$ 300.00
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