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Decision No. 8409

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of COAST VALLEYS GAS AND ELECTRIC)
COMPANY, a corporation, for an) Application No. 6204.
order authorizing the issue of)
bonds of the face value of \$375,000.)

Chickering and Gregory,
by
Warren Gregory, for Applicant.

MARTIN, COMMISSIONER.

O P I N I O N.

In this application, as amended at the hearing, COAST VALLEYS GAS AND ELECTRIC COMPANY asks permission to execute a collateral trust agreement; to issue and sell under said agreement \$220,000. of 10-year 8% notes; and issue, and sell or deposit as collateral, \$375,000. of bonds.

Applicant reports that up to August 31, 1920 it expended for plant extensions, additions and betterments, the sum of \$133,865.88, against which this Commission has not authorized the issue of any bonds. A large part of these expenditures have been incurred at the suggestion of the Commission, or its engineering department, in order to enable applicant to give better and more adequate service.

In Exhibit No. 5, applicant estimates that it will have to expend for the acquisition of property and construction, and completion of extensions and improvements of its facilities, the sum of \$407,300. Applicant reserves the right to change, if necessary, its construction program as outlined in its Exhibit

No. 5 and build such extensions and make such improvements as future conditions and development may dictate.

In view of this reservation and the suggestion of applicant, any moneys obtained through the issue of bonds herein authorized, on account of expenditures made after August 31, 1920, may be disbursed only as permitted by the Commission in a supplemental order or orders.

In its original application applicant asked authority to sell \$375,000. of its first mortgage bonds at not less than 70% of their face value, plus accrued interest. At the hearing it amended its application and now asks permission to either sell the bonds at the price indicated or deposit them as collateral to secure the payment of 10-year 8% notes. The order herein will permit applicant to sell the bonds at not less than 80% of their face value, plus accrued interest, or deposit them as collateral.

Applicant has made arrangements for the sale of 220,000 of 10-year 8% notes. These notes are to be secured by applicant's first mortgage bonds at the rate of \$3,000. par value of bonds for each \$2,000. par value of notes issued. The agreement of sale further provides that the company shall keep sufficient first mortgage bonds deposited with the Trustee under the collateral trust agreement securing the payment of the notes so as to permit and enable the Superintendent of Banks to certify the notes as legal investments for savings banks of California. The company has not submitted a copy of its proposed collateral trust agreement. The effective date of the authority herein granted must of necessity be held in abeyance until the Commission has authorized the company to execute the collateral trust agreement.

In Decision No. 6915 dated December 9, 1919, as amended, the Commission authorized applicant to issue and sell on or before December 31, 1920 at not less than 85% of their face value, plus

accrued interest, \$125,000. of bonds. Applicant has not sold any of the bonds authorized in said decision. It now asks permission to use the \$125,000.00 of bonds, together with such additional bonds as may be necessary and as the Trustee under its first mortgage may be permitted to certify, as collateral security for the payment of its 10-year 8% notes.

I herewith submit the following form of order:-

O R D E R

COAST VALLEYS GAS AND ELECTRIC COMPANY, having applied to the Railroad Commission for permission to issue \$375,000. of its first mortgage bonds, and \$220,000. of its 10-year 8% notes, 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 ~~the~~ through the issue of said bonds and notes, is reasonably required by applicant, and that the expenditures herein authorized are not reasonably chargeable to operating expenses or to income:

IT IS HEREBY AUTHORIZED that Coast Valleys Gas and Electric Company be, and it is hereby, authorized to issue \$375,000. face value of its first mortgage 6% bonds due March 1, 1952;

^{FURTHER}
IT IS HEREBY/ORDERED that Coast Valleys Gas and electric Company, be, and it is hereby, authorized to issue \$220,000 of 10-year 8% notes.

The authority herein granted is subject to the following conditions:-

1. The bonds herein authorized to be issued may be sold by applicant for not less than 80% of their face value, plus accrued interest, or in the amount of \$205,000. may be used as collateral to secure in

part the payment of its 10-year 8% notes, provided that the amount of bonds deposited as collateral shall be at the rate of \$3,000. par value of bonds for each \$2,000. par value of notes issued and sold. The 10-year 8% notes herein authorized to be issued shall be sold by applicant for not less than 94% of their face value, plus accrued interest.

2. The moneys obtained through the issue and sale of the notes herein authorized shall be used by applicant to reimburse its treasury, and after such reimbursement, shall be expended by applicant to pay the cost of constructing plant extensions, additions and betterments as set forth in Exhibit No.5 attached to the petition herein, or for such other purpose or purposes as the Railroad Commission may authorize.

3. Any moneys obtained from the sale of the bonds herein authorized shall be expended only for such purpose or purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4. As 10-year 8% notes are being paid, a proper proportion of the bonds shall be returned to applicant, and not deposited again as collateral except as authorized by the Commission.

5. The authority herein granted to issue and sell the 10-year 8% notes will not become effective until the Railroad Commission has authorized the execution of the collateral trust agreement defining the terms and conditions under which such notes will be issued.

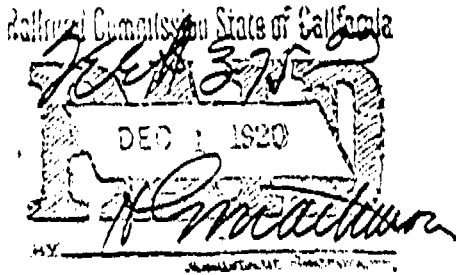
6. Coast Valleys Gas and Electric Company shall keep such record of the issue, deposit and sale of the bonds and notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such bonds and notes as may be issued, deposited or sold on or before June 30, 1921.

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 30th day of November, 1920.



Edwin O. Edgerton
H. D. England
Frank P. Miller
H. C. ...
... ..
Commissioners.