

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application	:	
of WESTERN STATES GAS AND ELECTRIC	:	
COMPANY, a corporation, for an Or-	:	Application No. 616.
der authorizing an issue of bonds	:	
of the face value of \$354,000.00.	:	

A. L. Chickering, of Chickering & Gregory,
representing Applicant.

LOVELAND, Commissioner.

O P I N I O N

Since the effective date of the Public Utilities Act, applicant, the Western States Gas and Electric Company, has been before the Railroad Commission upon three different occasions asking for permission to issue bonds, the authorization for which was previous to the effective date of the Public Utilities Act, to-wit: on June 11, 1911.

The first application for bonds presented by the Western States Gas and Electric Company was for the face value of \$351,000., to be issued for the purpose of refunding indebtedness proper to be so refunded; and the second application was for the face value of \$600,000.00, for like purpose. The third application was for \$397,000.00, for the purpose of refunding obligations created in construction, additions and betterments to its plant.

The present application is for \$354,000.00, also for the purpose of refunding obligations incurred for construction, additions and betterments to its plant.

At the time the first application was filed (Application No. 66), applicant stated that it was unable to state original cost of its plant, system and equipment, owing to the fact that same were constructed and acquired from time to time by the immediate or previous predecessors of applicant, but that applicant

had acquired all the real, personal and mixed property, rights, privileges, franchises and assets of the Stockton Gas and Electric Corporation, Richmond Light and Power Corporation, American River Electric Company and the Humboldt Gas and Electric Company in December, 1910, at a cost of \$5,000,000.00 and the assumption by applicant of the floating indebtedness of said corporations; That of said \$5,000,000.00, \$3,000,000.00 was realized by the sale at par of 15,000 shares of common capital stock of applicant and 15,000 shares of preferred capital stock of applicant and for the remaining \$2,000,000.00, collateral notes of applicant, secured by bonds, were given, all of which notes and bonds have since been retired and cancelled by the issue of 17,000 shares of common and 3,000 shares of preferred stock of applicant.

The granting of permission to issue bonds prayed for, under Application No. 140, was also done without an inventory of applicant's property, for the reason that there seemed to be no doubt as to applicant's equity or margin to justify such action.

In connection with the granting of Application No. 304, an inventory of applicant's assets was filed with the Commission, the accuracy of which inventory was questioned by the engineers of the Commission and later said inventory was made the subject of attack during the hearing of the application of the Oro Electric Corporation for permission to enter Stockton, and, although the bonds prayed for under Application No. 304, were granted, it being evident that the net assets of applicant justified such action on the part of the Commission, it is testified in this hearing that, on account of these attacks, applicant determined to take a careful inventory of its property and that such inventory is now in the process of being taken.

The trust deed under which the bonds of applicant are issued provides that bonds may only be issued to 75 per cent of

money actually expended for construction, additions or betterments and that only when its earnings are twice the amount of its bond interest, including the interest on the bonds prayed for.

The testimony shows that applicant has complied with both of these conditions.

The investigation of our engineer, Mr. Kelley, corroborates this, and Mr. Kelley's report shows that the margin between applicant's bonded indebtedness, including the issue now asked for, and the value of applicant's assets is sufficient to justify the Commission in granting this application for applicant to issue bonds in the face value of \$354,000.00, as, after reducing applicant's former valuation by 25%, there remains a margin between applicant's bonded indebtedness, including the present issue, and its valuation so reduced of \$724,406.00 if based upon Cost of Reproduction, or \$97,943.00 if based upon Present Value.

In the present application, filed June 20, 1913, applicant stated that the \$397,000.00 face value of bonds for refunding purposes, formerly granted by the Commission, had not been sold; owing to the condition of the money market, but remained in applicant's treasury. At the hearing, however, applicant testified that the bonds mentioned had since been sold and obligations of applicant for construction purposes paid and discharged with the proceeds thereof, as per the following statement:-

Note of the Continental Trust and Savings Bank.....	\$100,000.00
Note of the United States Cast Iron Pipe Co.	5,000.00
On account of Notes to Standard Gas and Electric Company.....	\$248,626.25

Former issues of bonds by applicant have been sold at from 87½ to 88½ and applicant asks to sell bonds asked for in the present application at 88½, and believes that it can sell them at that price, but asks, further, that, in the event, owing to financial conditions,

that it cannot sell them at present at that price, that it be permitted to hypothecate them at not less than 80.

I find as a fact that the financial condition of applicant is such as to warrant the Commission in granting the issue of \$354,000.00 face value of bonds, as prayed for, and that the use to which the proceeds of the sale of such bonds is to be devoted, to-wit: refunding of obligations incurred for construction, additions and betterments, is a proper and legal one; That the obligations to be paid by the proceeds of the present issue of bonds are as set forth in the Order herein.

I, therefore, recommend that the Commission grant the permission of applicant, as prayed for.

I recommend the following Order:-

ORDER

WHEREAS, the Western States Gas and Electric Company has applied to the Commission for permission to issue its bonds of the face value of \$354,000.00, being bonds numbered M3896 to M4246, both inclusive, for the purpose of refunding obligations incurred in construction, additions and betterments to its plant or system; and,

WHEREAS, the Commission has found as a fact that the financial condition of applicant warrants the granting of such permission as prayed for, and that the use to which the money realized from the sale of said bonds is to be devoted is proper and legal;

IT IS HEREBY ORDERED: That the Western States Gas and Electric Company be and it is hereby granted permission to issue the above bonds of the face value of \$354,000.00, the proceeds from the sale to be used for the following purposes only:-

(1) For the discharge of the following obligations, or so much thereof as the proceeds will permit:-

(a)	Humboldt County Savings Bank.....	\$ 15,000.00
(b)	Seaboard National Bank.....	11,000.00
(c)	Standard Gas and Electric Com- pany.....	321,499.20
(d)	E. M. Pylllesby & Company.....	15,010.00
(e)	General Electric Company on note, August 28, 1913.....	26,910.22
(f)	General Electric Company on note, September 27, 1913.....	19,596.39
(g)	General Electric Company on note, September 27, 1913.....	<u>10,000.00</u>
	Total.....	<u><u>\$419,015.81</u></u>

Permission is hereby given to pay with the proceeds of the sale of the said bonds hereby authorized, obligations in like amount which may have been substituted for the obligations herein specified.

IT IS FURTHER ORDERED: That applicant be and it is hereby permitted to sell said bonds, herein authorized to be issued, at 88½, and, in the event, owing to financial conditions, it cannot sell them at present at that price, that it be permitted to hypothecate them at not less than 80.

Western States Gas and Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which Order, in so far as applicable, is made a part of this Order.

The authority hereby given to issue such bonds shall ap-

ply only to bonds issued by said company on or before the 20th day of August, 1914.

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 30th day of August, 1913.

John W. Ashburn
H. D. Loveland
Ben Gordon
Max Thelen

Railroad Commission State of California

File # 257600
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H. E. Mathewson
BY H. E. Mathewson
Assistant Secretary.

Commissioners.