

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
GEORGE W. KITCHEN to sell and the )  
MADERA GAS COMPANY, a corporation )  
to buy a certain gas plant located )  
in the City of Madera, and of the )  
Madera Gas Company to issue stocks )  
and bonds. )

Application No. 729.

Henry E. Carter for applicant.

ESHLERMAN, Commissioner.

O P I N I O N .

The applicant, George W. Kitchen, has constructed a gas plant in the City of Madera and now desires to turn over the same to the Madera Gas Company, which has been organized by himself for this purpose, and he desires to have stocks and bonds of the Madera Gas Company issued in payment for said property.

The Madera Gas Company has an authorized capital stock of \$75,000 divided into 75,000 shares of the par value of \$1.00 each. None of this stock except stock to qualify directors has been issued. This company likewise has an authorized bonded indebtedness of \$50,000 secured by a deed of trust to the Citizens Trust and Savings Bank of Los Angeles. These bonds bear interest at 6 per cent.

The testimony shows that approximately \$32,120 was actually expended in the construction of this plant, and it is also in evidence that the pipes laid by a former gas company under the paved streets in the City of Madera, but never used to deliver gas, have been purchased by this company. It was testified that the present value of the entire property owned by the applicant, George W. Kitchen, is approximately \$36,564. Permission is asked to issue bonds to the face value of \$25,000 and to apply the same at 80 on the purchase price of the property; and it is asked that in addition thereto

\$25,000 of stock be issued to the applicant, Kitchen; said stock and bonds to be in full payment for the property to be turned over to the corporation.

I am convinced that the application to issue the bonds should be granted and the bonds given to the applicant, Kitchen, as partial payment for the property and that in addition thereto certain stock should be issued and also delivered to Mr. Kitchen for this property. I am not willing, however, to recommend that \$25,000 of stock in addition to the \$25,000 of bonds be issued at this time. The evidence shows that Mr. Kitchen put up all the money to construct this property and now has it in condition for serving the public and that it is actually engaged in the delivery of gas to the people of Madera. This is one of the few instances coming to my attention where a promoter of a utility has been willing to put up the money to construct the property.

Inasmuch as the seller is the entire owner of this property and will take all of the stock and bonds of the applicant corporation which this Commission authorizes to be issued in payment therefor, it becomes unnecessary to fix any price at which either the stock or bonds shall be sold so long as the amount which is authorized does not over-burden the property and there is a proper relationship between the bonded indebtedness and the issue of stock.

It is my opinion that the Madera Gas Company should be permitted to issue the \$25,000 par value of bonds as applied for and to turn the same over as a part of the purchase price of the property to said George W. Kitchen, and likewise that in addition thereto said Madera Gas Company be permitted to issue \$14,000 par value of stock and deliver the same to George W. Kitchen in payment for the remainder of the purchase price of said property.

I reach this conclusion for the following reasons: Assuming the value of the property is approximately \$36,000, with an authorized issue of \$25,000 6 per cent bonds it will be burdened with an indebted-

ness of \$25,000 which leaves a margin of \$11,000 which would permit the amount of stock authorized to be issued at approximately 80. This arrangement will, in my opinion, bring about substantially a proper relationship between the amount of stocks and bonds. Any additional issue of either stocks or bonds would start this utility out in a condition which I do not believe would be proper from the standpoint of the public which must furnish the patrons for this utility, and certainly the owner of all of the stocks and bonds of this utility cannot be seriously injured by the scaling down of the amount of stocks when thereby the value of each share of stock will be proportionately increased.

Application was also made to issue bonds, in addition to the \$25,000, of the par value of \$5,000 and to sell the same and to vote the proceeds therefrom to the purposes of the corporation but this part of the application was not pressed and it was indicated by the applicant that he was agreeable to defer the determination of this question to a future application.

I submit the following form of order:

O R D E R .

GEORGE W. KITCHEN having applied to sell and the MADERA GAS COMPANY having applied to purchase all of the gas system with its appurtenances owned by said George W. Kitchen in the City of Madera, and the Madera Gas Company having applied to issue stock and bonds and to give the same in payment to George W. Kitchen for said property; and a hearing having been held, and being fully apprised in the premises,

IT IS HEREBY ORDERED,

FIRST: That permission is granted by the Railroad Commission to George W. Kitchen to sell and the Madera Gas Company to purchase all of the gas system with its appurtenances owned by said George W. Kitchen in the City of Madera on the following terms:

Said Madera Gas Company shall deliver to said George W. Kitchen twenty-five thousand (\$25,000) dollars par value of its six (6%) per cent bonds, to be issued under the terms of a certain deed of trust hereinbefore referred to and set out as Exhibit "I" in the application hereto; and in addition thereto fourteen thousand (14,000) shares of its capital stock of the par value of fourteen thousand (\$14,000) dollars.

SECOND: Said Madera Gas Company is hereby authorized to issue twenty-five thousand (\$25,000) dollars of its six (6%) per cent bonds under the terms of the deed of trust heretofore referred to, and to deliver the same to said George W. Kitchen as provided in subdivision one hereof.

THIRD: Madera Gas Company is hereby authorized to issue fourteen thousand (14,000) shares of its capital stock of the par value of fourteen thousand (\$14,000) dollars and to deliver the same to George W. Kitchen as provided in subdivision one hereof.

FOURTH: The price at which the Madera Gas Company purchases and George W. Kitchen sells the property to be hereafter used by the Madera Gas Company in its public utility business in the City of Madera shall not be binding upon this Commission or any other public authority as a value to be considered in any rate fixing or other inquiry.

FIFTH: The Madera Gas Company and George W. Kitchen shall file with this Commission within thirty (30) days from the date of this order a notice of compliance herewith.

SIXTH: This order is to become effective on the payment of the fee provided by law.

SEVENTH: The Madera Gas Company shall report to this Commission the fact of the issue of the bonds and stock hereby authorized, when issued.

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 2nd day of October, 1913.

John W. Ashleman  
H. S. Loveland  
Mar. Thelen  
Edwin O. Edgerton  
Commissioners.

Railroad Commission State of California  
OCT 4 1913  
By J. H. Harrison  
Assistant Secretary.