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Decision No. 9994

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
RIVER BEND GAS AND WATER CO.,)
a corporation, for a certificate of)
Public Convenience and Necessity to)
exercise a franchise for the distri-)
bution of gas in the City of Sanger,)
for authority to mortgage its proper-)
ties, and for a Permit to issue and)
sell bonds and stock.)

Application No. 7402

Chaffee E. Hall for Applicant.

Benedict, Commissioner.

O P I N I O N

In this application, as amended at the hearing, RIVER BEND GAS AND WATER COMPANY asks permission to execute a new mortgage, to issue and sell at not less than 90 and accrued interest \$200,000. face value of 7 per cent 20-year bonds and to issue and sell at not less than \$90.00 per share 500 shares (\$50,000.) of 7 per cent. cumulative preferred stock for the purpose of refunding indebtedness and paying for additions and betterments.

The company also asks permission to issue \$91,640.00 of common stock and \$25,000.00 of 6 per cent. first mortgage bonds in lieu of a like amount of stock and bonds issued without authority from the Railroad Commission. Reference is hereafter made to the conditions under which the stock and bonds were issued.

In the original application, applicant asked the Commission to make an order declaring that public convenience and necessity require applicant to extend its gas transmission and distribution system into Sanger. At the hearing this request was withdrawn for the reason that applicant has concluded upon a more intensive

development of the territory throughout which it now operates. Applicant therefore requests the Commission to dismiss without prejudice this application in so far as it relates to the granting of permission to construct and operate a gas transmission and distribution system in Sanger.

In brief, this application involves the refinancing of the properties of River Bend Gas and Water Company and the securing of moneys necessary to pay for extensions, additions and betterments.

River Bend Gas and Water Company was organized on or about April 2, 1915. It is engaged in the business of producing, distributing and selling water in, and in the vicinity of, the town of Parlier, County of Fresno, and in the business of generating and producing gas in the City of Dinuba, County of Tulare, and of distributing and selling gas in, and in the vicinity of, said city of Dinuba, and in, and in the vicinity of, the towns of Reedley, Kingsburg and Parlier in the County of Fresno. In general, applicant's water system is said to consist of a well, water-tower and a 35,000 gallon tank, a steam driven pump in the town of Parlier, over 4 miles of distributing mains, and the necessary services and meters and other equipment for the delivery of water to about 220 consumers in Parlier and vicinity.

Applicant reports that it owns a gas generating plant and holder in Dinuba; that the plant has a 24 hour generating capacity of 450,000 cubic feet; that the holder has a capacity of 40,000 cubic feet and that it owns and operates about 28 miles of transmission mains connecting the cities and towns of Dinuba, Reedley, Kingsburg and Parlier; about 36 miles of distributing mains, a municipal street lighting system in the town of Parlier and the necessary regulators, meters and services for the delivery of gas to approximately 1700 consumers.

Applicant reports the cost of its properties, exclusive of materials and supplies, working capital and going concern

value at \$327,000.00.

In Exhibit "1" applicant reports that it should forthwith expend for additions and betterments the sum of \$49,974.00 for the following purposes:

Gas Department:

One Holder capacity 100,000 ft., estimated cost including foundation, painting,.....	\$25,000.00
Boosting apparatus, pipe connection between Holder for reducing Dinuba to low pressure,.....	5,000.00
Installing approximately 2500 lineal feet of 4" supply pipe from plant welded, painted and laid at 70 cents,.....	1,750.00
Installing approximately 5000 lineal ft. of 2" pipe welded, painted and laid at 30 cents for connecting dead ends and high pressure line in Dinuba,.....	1,500.00
150 New Services including meters and regulators, and extentionsto distributing mains,.....	5,700.00
Over head 12%,.....	1,024.00

Water Department:

installing Gas Engine, Electric Motor, pump pit at Water Works in Parlier for fire protection estimate,.....	<u>10,000.00</u>
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Total,..... \$49,974.00

Applicant estimates that it can save approximately \$2,400. per annum by the substitution of electric for steam power for the operation of its pumping plant, and that its net operating revenue from the sale of gas will be increased by about \$6,000.00 on account of the installation of the improvements set forth in its Exhibit No. "1".

The Commission by Decision No. 4936, dated December 6, 1917, as amended, (Vol. 14, Opinions and Orders of the Railroad Commission of California, pg. 683) authorized applicant to issue on or before December 31, 1918, \$138,467 of common stock and \$75,000 of first mortgage 6 per cent. bonds due October 1, 1932. The company sold to the Parlier Winery \$81,777. of the stock at \$90. and \$50,000 of

the bonds at par. The Railroad Commission's Decision No. 6493, dated July 16, 1919, (Vol. 17, Opinions and Orders of the Railroad Commission of California, pg. 41) authorized applicant to issue on or before December 15, 1919, \$25,000. of bonds and \$91,640. of stock to the Parlier Winery in liquidation of \$87,062.76 advanced by the Parlier Winery and used by applicant to pay for additions and betterments. It appears from the record in this proceeding that the \$25,000. of bonds and \$91,640. of stock was issued subsequent to December 15, 1919. We therefore question the validity of the \$25,000 of 6 per cent. bonds and \$91,640. of stock. Applicant now asks that it be permitted to issue \$25,000. of its 6 per cent. bonds and \$91,640. of stock in lieu of a like amount of bonds and stock which it has heretofore issued subsequent to December 15, 1919. I am satisfied that applicant issued the bonds and stock in question inadvertently, and therefore, I believe that its request should be granted.

If applicant issues the stock and bonds mentioned, it will have outstanding \$173,417.00 of stock and \$75,000.00 of 6 per cent. bonds. The stock and bonds were all acquired by the Parlier Winery at an average cost of about 85.

Applicant reports that subsequent to December 31, 1918, it expended for additions and betterments, which expenditures have not been capitalized, the sum of \$81,885.74. In its application, it requests permission to redeem the \$75,000.00 of outstanding bonds at 105, which would call for a cash expenditure of \$78,750.00. In addition, applicant reports that it should forthwith expend for additions and betterments \$49,974.00 and that it should have available for working capital at least \$14,390.26. The sum of the four items is \$225,000.00. This \$225,000.00 applicant proposes to secure through the issue of \$50,000.00 of 7 per cent. preferred stock at not less than 90 and \$200,000.00 of 7 per cent. 20-year bonds at not less than 90.

Applicant has at present an authorized bonded indebtedness of \$250,000.00. The bonds bear interest at the rate of 6 per cent. per annum and mature April 1, 1932. As said, \$75,000.00 of the bonds have been issued under the circumstances mentioned above leaving \$175,000.00 unissued. The bonds are callable at 105 and accrued interest. Applicant reports that it cannot sell 6 per cent. bonds except at a large discount and that, therefore, and because of the further reason that its authorized bonded indebtedness is only \$250,000.00, it has concluded to execute a new \$500,000.00 mortgage which will permit of the issue of bonds in series at such rate of interest as the Board of Directors may from time to time determine. Applicant has not filed a copy of its proposed mortgage. It requests permission to issue under its proposed mortgage \$200,000.00 of Series "A" 7 per cent. bonds due January 1, 1942. The Series "A" bonds shall be callable at 105 and accrued interest during the first five years after their issue; at 104 and accrued interest during the second 5-year period after their issue; at 103 and accrued interest during the third 5-year period after their issue and at 102 and accrued interest during the fourth 5-year period after their issue. The remaining \$300,000.00 of bonds shall be issuable in series and as to each series the Board of Directors may fix the date of issue, the date of maturity (not later than January 1, 1962), the interest rate and redemption price. Other details of the proposed mortgage are mentioned by the applicant. Not until the Commission has before it a complete copy of the mortgage can an order be made authorizing the execution of the mortgage. In view of the probable extension of applicant's system into new territory and the increasing demand for service throughout the territory in which it is now operating, I feel that applicant should at this time be permitted to execute a new mortgage. I do not believe, however, that applicant should be permitted to sell 7% bonds at 90 for the purpose of redeeming 6% bonds at 105. Applicant has now outstanding \$75,000. of 6 per cent. bonds. To redeem these at 105 requires \$78,750. in cash. To raise this amount from the sale of bonds at 90 would call for the issue of \$87,500.00 of 7 per

cent. bonds. Through the proposed refunding, applicant's bonded indebtedness would be increased by the sum of \$12,500.00 and its annual interest charges by the amount of \$375.00. I am willing to recommend that applicant be permitted to redeem its outstanding bonds at par.

Applicant should file with the Commission as soon as available a copy of its amended articles of incorporation.

I herewith submit the following form of Order.

O R D E R.

RIVER BEND GAS AND WATER COMPANY having applied to the Railroad Commission for permission to issue stock and bonds and execute a mortgage, 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 by applicant and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that RIVER BEND GAS AND WATER COMPANY be, and it is hereby, authorized to issue \$91,640.00 of common stock and \$25,000.00 of 6 per cent. bonds in lieu of a like amount of ^{stock and} bonds heretofore issued without an order from this Commission.

IT IS HEREBY FURTHER ORDERED, that RIVER BEND GAS AND WATER COMPANY be, and it is hereby, authorized to issue and sell at not less than \$90.00 per share 500 shares (\$50,000.00 par value) of its 7 per cent. cumulative preferred stock, and to issue and sell for not less than 90 per cent. of their face value and accrued \$200,000.00 of Series "A" 7 per cent. 20-year bonds.

The authority herein granted is subject to further conditions as follows:

1.--The authority herein granted to issue stock will not become effective until applicant has filed with the Commission a copy of its amended articles of incorporation.

2.--The proceeds realized from the sale of the stock may be used by applicant to finance in part its construction expenditures subsequent to December 31, 1918, and through such financing pay current indebtedness, all of which is referred to in this application.

3.--The proceeds realized from the sale of the bonds herein authorized to be issued shall be deposited with a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4.--River Bend Gas and Water Company shall keep such record of the issue, sale and delivery of the stock and bonds 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 to issue bonds will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$125.00; nor until this Commission has authorized applicant to execute a mortgage to secure the payment of the bonds.

6.--The authority herein granted will apply only to such stock and

bonds as may be issued, sold and delivered on or
before October 1, 1922.

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 17th
day of January, 1922.

Handwritten: \$125⁰⁰/₁₀₀

JAN 18 1922

Handwritten signature: A. Matthews

Handwritten signature: H. C. Rudick

Handwritten signature: H. J. Ireland

Handwritten signature: J. F. Penner

Commissioners.