

Decision No. 40987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

COAST COUNTIES GAS AND ELECTRIC  
COMPANY, a corporation,

for an order authorizing applicant  
(1) to execute a second supplemental  
indenture supplementing that certain  
trust indenture dated July 1, 1941,  
as modified by supplemental indenture  
dated as of November 1, 1945,  
(2) to issue First Mortgage Bonds, 3%  
Series due 1980, of the face value of  
\$900,000, and  
(3) to sell such bonds under a sale and  
purchase agreement to be executed in  
connection therewith, for a considera-  
tion as set out therein, and to use the  
proceeds for the purposes and in the  
manner specified in this application.

ORIGINAL

Application  
No. 28854

O P I N I O N

In this application, Coast Counties Gas and Electric Company has applied to the Public Utilities Commission for an order authorizing it to execute a supplemental indenture and to issue and sell \$900,000, of its First Mortgage Bonds, 3% Series due 1980, for the purpose of paying short-term indebtedness and of financing the cost of additions and betterments to its plants and properties. A copy of the supplemental indenture is on file in this application as Exhibit "C".

Coast Counties Gas and Electric Company is engaged in the distribution of electricity in the Counties of Santa Cruz, San Benito, Monterey and Santa Clara and in the distribution of natural gas in portions of the same counties in which it distributes electricity, and also in the Counties of Contra Costa,

Merced, Fresno, Kings and Kern. In addition it sells butane gas in Brewley, Calexico and El Centro and water in Avenal. It reports its operating revenues at \$6,936,507 for the twelve months ending September 30, 1946, and at \$9,012,676 for the twelve months ending September 30, 1947, and its net income at \$549,014 for the twelve months ending September 30, 1946, and at \$349,563 for the twelve months ending September 30, 1947. Its assets and liabilities as of September 30, 1947, are shown below:

Assets

Fixed assets		\$19,178,692.01
Investment and fund accounts		60,254.83
Current assets -		
Cash and deposits	\$490,001.03	
Accounts receivable	791,255.09	
Materials and supplies	675,015.44	
Prepaid expenses	<u>41,962.99</u>	
Total current assets		2,001,224.55
Unamortized debt discount and expenses		287,025.44
Other deferred debits		<u>7,449.59</u>
Total Assets		<u>\$21,534,656.42</u>

Liabilities

Common stock		\$ 3,620,000.00
Preferred stock		3,100,000.00
Long term debt		5,390,000.00
Current liabilities -		
Notes payable	\$500,000.00	
Accounts payable	584,477.12	
Customers' deposits	25,911.00	
Accrued liabilities	<u>789,250.13</u>	
Total current liabilities		1,899,638.25
Deferred credits		253,216.75
Reserves		6,404,550.55
Contributions for construction		79,659.39
Earned surplus		<u>787,591.48</u>
Total Liabilities		<u>\$21,534,656.42</u>

The long term debt includes \$3,200,000 of 3-1/4% bonds, due 1971, which were issued in 1941, and \$2,100,000 of 2-3/4% bonds, due 1975, which were issued in 1945 and 1947. The notes payable of \$500,000 represent sums borrowed from American Trust Company at an annual interest rate of 1 1/2%.

The company now proposes to execute a supplemental indenture and to create a new series of bonds to be designated as First Mortgage Bonds, 3% Series due 1980. These bonds will be dated as of December 1, 1947, will bear interest at the rate of 3% per annum from that date, will mature December 1, 1980, and will be redeemable at 103 per cent of face value during the twelve-month period ending on November 30, 1948, and thereafter at an amount decreasing one-tenth of one per cent each year up to November 30, 1975, and thereafter at the face value. The company has made arrangements to sell the \$900,000 of bonds to The Mutual Life Insurance Company of New York at par plus accrued interest. It estimates that in connection with the issue and sale of said bonds it will incur expenses of \$6,000 which it proposes to charge to surplus. A copy of the bond sale agreement is on file in this application as Exhibit "D".

The company desires to use the proceeds to be received from the sale of its bonds to pay short-term bank borrowings and to finance the cost of additions and betterments. It estimates its 1947 capital expenditures at \$2,900,000. It reports that its actual expenditures for the nine months ended September 30, 1947, aggregated \$1,375,950, as shown in some detail in Exhibit "F" attached to the application. The application shows that the company found it necessary to borrow funds to meet in part its capital requirements, its bank borrowings aggregating \$500,000 as of September 30, 1947, and it clearly appears that it will have need for additional sums to carry forward its construction program.

In its application the company asks for an order exempting it from offering its bonds for sale at competitive bidding. However, the proposed bond issue is not subject to the

Commission's competitive bidding requirement<sup>(1)</sup> and accordingly it is not now necessary to make an order specifically exempting the \$900,000 issue here under consideration.

C O R D E R

The Public Utilities Commission having considered the application of Coast Counties Gas and Electric Company to issue \$900,000 of bonds and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required for the purposes specified herein and that the expenditures for such purposes, other than accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company, after the effective date hereof and on or before January 31, 1948, may execute a second supplemental indenture in substantially the same form as that filed in this proceeding as Exhibit "C", and may issue and sell, at not less than their face value plus accrued interest, \$900,000 of its First Mortgage Bonds, 3% Series due 1980, said bonds to be sold pursuant to the terms of the

(1)

The Commission's order in Decision No. 38614, dated January 15, 1946, prescribing competitive bidding in the sale of securities, under certain conditions, exempted "any security issued and sold where the total consideration received by the issuing public utility is \$1,000,000 or less."

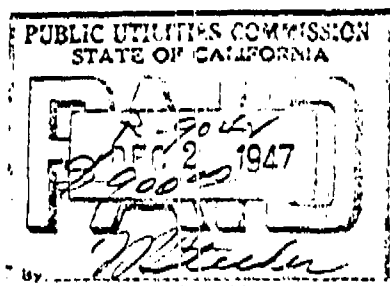
agreement on file in this proceeding as Exhibit "D", which agreement Coast Counties Gas and Electric Company may execute. Coast Counties Gas and Electric Company shall use the proceeds, other than accrued interest, for the purpose of financing in part the cost of additions and betterments to its plants and properties and of paying unsecured bank loans incurred in making such additions and betterments. The accrued interest may be used for general corporate purposes.

2. Coast Counties Gas and Electric Company shall file with the Commission a report, or reports, of the issue of said bonds and of the disposition of the proceeds, the first report to be filed on or before January 31, 1948, and thereafter to be filed monthly until all the proceeds have been expended. It shall also file, on or before March 31, 1948, a report showing in some detail the expenses incurred in connection with the issue and sale of said bonds.

3. The authority herein granted will become effective when Coast Counties Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is nine hundred (900.00) dollars.

Dated at San Francisco, California, this 1<sup>st</sup> day of December, 1947.

CLERK OF THE COMMISSION



Harold P. Kule  
Justice F. Galloway  
D. A. Russell  
A. J. Morrison  
Commissioner