

ORIGINAL

Decision No. 41316

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 to issue)
 and sell One Million Dollars (\$1,000,000))
 of Common stock under the provisions of Sec-)
 tion 52 of the Public Utilities Act.)
 -----)

Application
No. 29134

OPINION

In this application, Coast Counties Gas and Electric Company has applied to the Public Utilities Commission for authority to issue and sell at par, 40,000 shares of its common capital stock of the par value of \$25 each, and of the aggregate par value of \$1,000,000, for the purpose of financing the cost of additions and betterments. The company proposes to sell such shares of stock to Pacific Public Service Company.

Coast Counties Gas and Electric Company is a corporation engaged in the distribution of electricity in portions of the Counties of Santa Cruz, San Benito, Monterey and Santa Clara, in the distribution of natural gas in the same counties in which it distributes electricity, and also in portions of the Counties of Contra Costa, Merced, Fresno, Kings and Kern, and in the distribution of water in Avenal, Kings County. The company's financial reports on file with the Commission show operating revenues at \$6,520,600 in 1945, at \$7,389,331 in 1946 and at \$9,485,977 in 1947, and net income, after provision for operating expenses,

taxes, depreciation, interest and other income charges and credits, of \$550,754 in 1945, of \$609,495 in 1946 and of \$887,826 in 1947.

The company's assets and liabilities, as of January 31, 1948, are reported as follows:

Assets

Fixed assets		\$19,346,486.15
Investment and fund accounts		53,115.60
Current and accrued assets -		
Cash and deposits	\$ 912,872.64	
Accounts receivable	1,036,319.97	
Materials and supplies	649,813.22	
Prepaid expenses	<u>160,193.85</u>	
Total current and accrued assets		2,779,199.68
Unamortized debt discount and expense		181,685.44
Other deferred debits		<u>4,817.21</u>
	Total	<u>\$22,365,304.08</u>

Liabilities

Common stock		\$ 3,620,000.00
Series A 4% preferred stock		3,100,000.00
Bonds		6,290,000.00
Current and accrued liabilities -		
Accounts payable	\$ 817,791.48	
Customers' deposits	23,327.50	
Accrued liabilities	<u>880,457.30</u>	
Total current and accrued liabilities		1,721,576.28
Customers' advances for construction		162,082.50
Other deferred credits		102,250.04
Reserves for depreciation		6,269,443.95
Other reserves		111,211.16
Contributions in aid of construction		86,714.13
Earned surplus		<u>902,026.02</u>
	Total	<u>\$22,365,304.08</u>

The company's articles of incorporation provide for a total issue of 200,000 shares of common stock of the par value of \$25 each, amounting to an aggregate par value of \$5,000,000, of which there presently are outstanding 144,800 shares of the total par value of \$3,620,000, all of which shares are reported held by Pacific Public Service Company. Dividends have been paid on the

outstanding shares of common stock during the last five years at the rate of 6% in 1943, of 8% in 1944, of 6% in 1945, and of 8% in 1946 and 1947.

A review of the company's financial statements shows that its reported investment in utility plant accounts was increased by the net amounts of \$665,460 in 1945, of \$1,992,585 in 1946, and of \$1,991,794 in 1947. In making the present application the company estimates its net expenditures for 1948 at \$3,700,447, segregated as follows:

Gas	\$2,100,930
Electric	1,324,354
Water	4,300
Common	<u>270,363</u>
Total	<u>\$3,700,447</u>

The proposed expenditures are set forth more fully in Exhibit "D" filed in this proceeding.

It appears from the application and from the company's financial reports that it will have need for additional funds from outside sources to meet its 1948 construction expenditures and that an order authorizing the issue of common stock, as now requested, should be made. The application indicates that the balance of the funds required for such expenditures will be obtained from proceeds remaining from the sale of the company's butane-air system in Imperial Valley, (1) from earnings set aside

(1) By Decision No. 42069, dated December 22, 1947, as amended, the Commission authorized applicant to sell this system to Southern California Gas Company for a base price, as of September 30, 1947, of \$773,606.11, subject to adjustments for additions and betterments and materials and supplies.

for depreciation, from earnings available for the payment of dividends and from the sale of first mortgage bonds.

In making the order herein the Commission desires to place applicant upon notice that it will not regard the dividends paid on its common stock as fixing the rate of return it should be allowed to earn.

O R D E R

The Public Utilities Commission having considered the above entitled matter 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 \$1,000,000 par value of common stock is reasonably required by Coast Counties Gas and Electric Company for the purpose specified herein and that the expenditures for said purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company, after the effective date hereof and on or before June 30, 1948, may issue and sell, at not less than par, 40,000 shares of its common stock of the par value of \$25 each, said shares to be sold to the holder of its presently outstanding shares of common stock and the proceeds used to finance in part its capital expenditures during 1948 for additions and betterments to its properties, plants and equipment.

2. Coast Counties Gas and Electric Company shall file with the Commission reports showing to whom said shares of stock were issued, the date of their issue, the proceeds received and the purposes for which said proceeds were expended, such report to be filed within thirty (30) days after the expenditures of said proceeds.

3. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 16th day of March, 1948.

R. F. Johnson
Justin J. Calver
W. H. L. L. L.
Harold H. H.
Francis H. H.
Commissioners