

ORIGINAL

Decision No. 43889

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,	:	Application
	)	No. 30400
	:	
for an order, under the provisions of Sec-	)	
tion 52 of the Public Utilities Act, author-	:	
izing the applicant to issue and sell Pre-	)	
ferred and Common stock.	:	
-----	)	
	:	

J. K. Horton and A. J. Brown, for applicant.

O P I N I O N

In this application, Coast Counties Gas and Electric Company asks the Commission to make its order authorizing applicant:

(1) To issue and sell at their par value of \$25, 15,200 additional shares of common stock;

(2) To issue and sell on a negotiated basis at a price hereafter fixed by the Commission, 75,000 shares of a new series of preferred stock of the par value of \$25 per share; and,

(3) To use the proceeds from the issue and sale of the common stock and the net proceeds from the issue and sale of the 75,000 shares of new series preferred stock for the purpose of financing capital expenditures for additions and betterments to be made to applicant's properties, plant and equipment, and to reimburse applicant's treasury and repay short-term borrowings, if any, heretofore made for any of said purposes.

Applicant is a California corporation engaged as a public utility in distributing natural gas, electricity and water in California. For the year 1948 applicant reports operating revenues of \$12,115,438.15, segregated as follows:

Electric	\$3,151,791.06
Gas	8,904,903.33
Water	58,743.76

As of April 30, 1949, applicant reports assets and liabilities as follows:

Assets

Fixed assets		\$21,932,108.34
Electric plant	\$ 9,028,551.35	
Gas plant	10,686,594.04	
Water plant	171,578.85	
Common utility plant	753,436.65	
Plant acquisition adjustments	891,517.71	
Organization expense	12,965.08	
Intangibles and franchises	10,134.09	
Construction work in progress	377,330.57	
Other investments		154,575.42
Current and accrued assets		2,997,299.91
Cash, special deposits and working funds	1,205,351.80	
Accounts receivable	1,017,666.59	
Interest and dividends receivable	316.40	
Materials and supplies	669,888.74	
Prepayments	104,076.38	
Deferred debits		<u>19,710.92</u>
Total assets		<u>\$25,103,694.59</u>

Liabilities

Capital stock		\$ 7,720,000.00
Common stock	\$4,620,000.00	
Series A 4% preferred stock	3,100,000.00	
First mortgage bonds		7,210,000.00
First mortgage bonds, 3½%, due 1971	3,255,000.00	
First mortgage bonds, 2-3/4%, due 1975	2,068,000.00	
First mortgage bonds, 3%, due 1980	1,887,000.00	
Current and accrued liabilities		1,474,620.71
Accounts payable	575,122.89	
Customers' deposits	27,628.00	
Taxes accrued	755,841.60	
Interest accrued	59,850.00	
Other current and accrued liabilities	56,178.22	
Deferred credits		332,948.02
Customers' advances for construction	200,339.80	
Unamortized premium on debt	92,707.23	
Other deferred credits	39,900.99	
Reserves		6,780,729.37
Depreciation	6,655,636.54	
Uncollectible accounts	54,073.52	
Injuries and damages	60,685.98	
Dividends	10,333.33	
Contributions in aid of construction		110,595.30
Earned surplus		<u>1,474,801.19</u>
Total liabilities		<u>\$25,103,694.59</u>

The following statement shows applicant's capitalization ratios as of April 30, 1949, and after the issue of the common and preferred shares of stock referred to in this application:

Item	April 30, 1949		After Proposed Stock Issues	
	Amount	Percent	Amount	Percent
Bonds	\$ 7,210,000	44%	\$ 7,210,000	38%
Preferred stock	3,100,000	19%	4,975,000	27%
Common stock	4,620,000	28%	5,000,000	27%
Surplus	1,474,800	9%	1,474,800	8%
Total	<u>\$16,404,800</u>	<u>100%</u>	<u>\$18,659,800</u>	<u>100%</u>

Applicant reports in its Exhibit "D" estimated capital expenditures of \$2,872,260 for 1949, and \$1,319,580 for the first six months of 1950, making a total of \$4,191,840. About 42% of the total expenditures would be spent in the electric department, 51% in the gas department, 1% in the water department, and 6% for common capital. Of the said amount, \$1,603,310 is for new business expansion, \$762,250 to increase the capacity of applicant's facilities, \$678,480 for replacement of property, and \$1,147,800 for meters, regulators, transformers, street lighting, buildings and automotive equipment. During 1945 applicant expended for capital purposes \$738,602, during 1946 \$2,150,000, during 1947 \$2,874,000, and during 1948 \$2,860,000. Its capital expenditures during the first four months of 1949 are reported at \$631,266. The amount of applicant's actual capital expenditures will depend on the availability and cost of labor and materials and general business conditions.

To provide itself with funds to pay in part the cost of additions and betterments to its properties, plant and equipment, and to pay short-term bank loans, if any, made for said purposes, applicant proposes to issue and sell at their par value (\$25), 15,200 additional shares of its common stock, and at a price hereafter determined, 75,000 shares of its new series of preferred

stock of the par value of \$25 per share. The common shares of stock will be issued and sold to Pacific Public Service Company, the owner of all of applicant's outstanding common stock.

Applicant asks the Commission to exempt the issue and sale of the 75,000 shares of preferred stock from the provisions of its competitive bidding rule in Decision No. 38614, dated January 15, 1946.

Applicant in 1947 issued 124,000 shares of its 4% preferred stock. Part of such shares was issued in exchange for its outstanding 5% preferred stock, and part was sold for cash. As of June 20, 1949, 48.74% of the company's outstanding preferred stock was held by shareholders residing in applicant's operating area, 37.20% by shareholders residing in Northern California, 7.38% by shareholders residing in Southern California, and 6.68% by shareholders residing outside of California. Applicant is of the opinion that its preferred stock must be sold to individual investors rather than to institutional buyers such as life insurance companies. It believes that the best market for its preferred stock exists in its own operating territory and the area contiguous thereto in Northern California, and that the best way to tap that market is by working out a negotiated arrangement with the underwriters who have placed its presently outstanding preferred stock. Applicant is of the opinion that it is to its advantage that as much of the new preferred stock as possible be sold to persons residing in its operating territory. It has no assurance that if it were to receive a satisfactory bid for the shares, that the bidder would endeavor to sell the stock in its operating territory.

Applicant estimates its expenses incident to the issue of said shares of stock at \$20,000.

The testimony warrants the Commission to exempt the issue and sale of said 75,000 shares of preferred stock from the provisions of the Commission's order in Decision No. 38614, provided applicant obtains a satisfactory price for said shares of stock. In due time, applicant should file with the Commission a supplemental application setting forth the terms of the new series of preferred stock and the price at which it proposes to sell said shares, together with a copy of the underwriting agreement.

#### ORDER

The Commission having considered the evidence submitted at the hearing had on this application and being of the opinion that the money, property or labor to be procured or paid for by the issue of 15,200 additional shares of common stock and 75,000 shares of new series preferred stock by Coast Counties Gas and Electric Company is reasonably required by applicant for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of said 75,000 shares of new series preferred stock by Coast Counties Gas and Electric Company, provided it obtains for said shares of stock a price satisfactory to the Commission, is exempt from the provisions of the order set

forth in Decision No. 38614, dated January 15, 1946.

2. Coast Counties Gas and Electric Company may issue and sell, on or before December 31, 1949, to Pacific Public Service Company at not less than the par value thereof, to wit, \$25 per share, 15,200 additional shares of its common capital stock of the aggregate par value of \$380,000.

3. Coast Counties Gas and Electric Company may issue and sell 75,000 shares of its new series preferred stock, if and when the Commission by supplemental order has fixed the price at which said shares of stock may be sold.

4. Coast Counties Gas and Electric Company shall use the proceeds obtained through the issue and sale of said shares of common and said shares of new series preferred stock to pay expenses incident to the issue and sale of said shares of stock, to finance capital expenditures for additions and betterments to its properties, plant and equipment set forth in Exhibit "D" on file in this application, and to pay short-term bank notes, if any, issued for said purposes.

5. Within thirty (30) days after the issue and sale of said shares of common and said shares of new series preferred stock, or any part thereof, Coast Counties Gas and Electric Company shall file with the Commission a report showing the names of the persons, firms or corporations to whom said shares of stock were sold, the number of shares of stock sold to each person, firm or corporation, and the consideration received for said shares of stock. Until such time as applicant has expended the proceeds obtained from the issue and sale of said shares of stock, it shall file with the Commission a monthly statement showing in some detail

its capital expenditures for additions and betterments to its properties, plant and equipment, such reports to be filed within a reasonable time after the close of the month to which they relate.

6. The authority granted by this order, except as otherwise provided in this order, is effective upon the date hereof.

Dated at San Francisco, California, this 6<sup>th</sup> day of July, 1949.

R. Z. Johnson

Walter Powell

Harold D. Hale

Herbert W. Potter

Commissioners