

ORIGINAL

Decision No. 43187

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CRESCENT CITY GAS COMPANY,
A Corporation,
for order authorizing the encumbrance
of applicant's property.

Application
No. 30523

O P I N I O N

In this application, Crescent City Gas Company has applied to the Public Utilities Commission for authority to execute a mortgage of chattels and of real property and to issue a note in the principal amount of \$20,000 for the purpose of paying indebtedness, of financing the cost of equipment and of providing working capital.

Crescent City Gas Company is a California corporation engaged in constructing and operating a propane-air gas system in and about the City of Crescent City, Del Norte County, California. It commenced its operations in December 1948 and for the first five months of 1949, reports operating revenues of \$829.47 and operating expenses, exclusive of depreciation, at \$742.88. Its properties consist of certain lands, franchises from the City of Crescent City and the County of Del Norte, and structures and equipment including buildings, two gas air vaporizers, one steel storage tank, one compressor, 18,945 feet of pipe, 218 service connections and meters, and miscellaneous items of property.

Applicant reports its investment in property and equipment as of May 31, 1949 at \$40,365.53 which, according to Exhibit

"C" filed in this proceeding, has been paid or provided, in part, with moneys advanced by Otto E. Never and moneys owing on short-term notes and accounts payable. Otto E. Never is also the owner of the outstanding stock of Crescent City Water Company.

The application shows that applicant is in need of additional funds to purchase equipment and to pay, in part, outstanding indebtedness and that accordingly it has made arrangements to borrow \$20,000 from Reconstruction Finance Corporation for the following purposes:

To pay note in favor of Bank of America for pipe valves and fittings	\$ 5,468.00
To pay accounts payable to Gasair Associates for 15,000 gallon propane storage tank, vaporizers and materials	8,484.00
To pay for additional pipe, meter, regulators and fittings, and the improvement and maintenance of its service	
Total	<u>6,048.00</u> <u>\$20,000.00</u>

The sum to be thus borrowed will be represented by a note for \$20,000, with interest on unpaid principal computed at the rate of 4% per annum, payable monthly on the 15th day of each month commencing two months following the date of the note. The principal is payable in consecutive monthly installments of \$100 for the period beginning September 15, 1949, to and including March 15, 1950; of \$200 for the period beginning April 15, 1950, to and including March 15, 1951; of \$342 for the period beginning April 15, 1951 to and including March 15, 1955, with final payment on April 15, 1955. In addition, payments will be made on the principal, two months after the close of the year 1950 and annually thereafter, in an amount by which 50% of applicant's net earnings, if any, (after state and federal income taxes but before depreciation) exceed the payments made on the principal during the preceding year. A copy of the proposed note has been

filed in this proceeding as Exhibit "A".

The payment of the note will be secured by a mortgage on all of applicant's land, buildings, machinery and equipment now owned or hereafter acquired, a copy of which mortgage has been filed as Exhibit "B" in this proceeding, and, among other things, by an after acquired property agreement, an assignment of an insurance policy on the life of Otto E. Never in the amount of \$20,000, and an assignment of the franchises issued to applicant by the City of Crescent City and County of Del Norte.

To further secure the payment of the loan, the Reconstruction Finance Corporation will require Otto E. Never to guarantee the payment of the note and deposit with it the stock of Crescent City Water Company. Provisions other than those mentioned herein are contained in the loan agreement.

A review of the application shows that applicant has need for the \$20,000 which it proposes to obtain from the Reconstruction Finance Corporation.

O R D E R

Crescent City Gas Company having applied to the Public Utilities Commission for permission to execute a mortgage and issue a note for \$20,000, and the Commission having considered the application and being of the opinion that a public hearing thereon 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 note is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Crescent City Gas Company, after the effective date hereof and on or before December 31, 1949, may issue its promissory note in the principal amount of \$20,000 for the purposes indicated in the preceding opinion, said note to be in, or substantially in the form of the note filed in this proceeding as Exhibit "A".
2. Crescent City Gas Company, after the effective date hereof and on or before December 31, 1949, for the purpose of securing the payment of said note, may execute and deliver a mortgage of chattels and of real property in, or substantially in the form of the mortgage on file in this proceeding as Exhibit "B".
3. Crescent City Gas Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
4. The authority herein granted will become effective when Crescent City Gas Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.
5. Within thirty days after the issue of said note, Crescent City Gas Company shall file with the Commission a copy of the note and a copy of the mortgage of chattels and of real property executed under the authority herein granted.

Dated at San Francisco, California, this 9th day
of August, 1949.

O. J. Donohue

Frank H. ...

Francis Pott...

Commissioners

