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Decision No. 10233.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SAN DIEGO CONSOLIDATED GAS AND ELEC- )  
TRIC COMPANY, a corporation, for an )  
order authorizing the issue and sale )  
of its common stock of the par value )  
of \$2,000,000.00. )

ORIGINAL

Application No. 14263

Chickering and Gregory, by Allen L. Chickering,  
for applicant.

BY THE COMMISSION:

O P I N I O N

In this application San Diego Consolidated Gas and Electric Company asks permission to issue and sell \$2,000,000.00 of its common capital stock.

As of October 31, 1927, applicant reports outstanding \$13,868,000. of bonds and \$11,525,000. of stock, consisting of \$6,292,500. of seven percent cumulative preferred stock and \$5,032,500. of common stock. It appears that substantially all of the common stock is owned by Standard Gas and Electric Company and it is reported that should this application be granted, the additional \$2,000,000. of common stock now proposed to be issued will be taken by the present common stockholders, at par.

The company asks permission to use the proceeds from the sale of its stock to pay indebtedness incurred for construction purposes, to reimburse its treasury and to finance the cost of estimated construction expenditures. In support of its re-

quest it reports in its application that its construction expenditures prior to March 31, 1921 had been capitalized and that from that date to October 31, 1927, it expended for additions and betterments the sum of \$16,747,421.93, as shown in Exhibit "D", and \$550,000. in retiring an issue of five year six percent notes, making total expenditures of \$17,297,421.95. From this amount there is deducted \$3,026,332.08, being the amount received from earnings, reserves and surplus, invested in property, and \$11,555,360.50, being the proceeds from the sale of stock and bonds heretofore authorized to be issued, leaving a balance of \$2,715,729.37 which applicant alleges has not been obtained through the issue of stock or bonds and against which it might properly issue the \$2,000,000.00 of common stock. In addition to the uncapitalized expenditures it reports its estimated expenditures for November and December, 1927, at \$450,000.00.

The company reports that the uncapitalized construction expenditures have been financed in part by borrowing money on its short term five percent note in favor of Bank of Italy amounting to \$75,000.00, in part by borrowing money on open account amounting to \$479,444.00, in part through consumers' deposits and deposits for service extensions amounting to \$307,094.00 and in part by using surplus earnings and moneys represented by reserves. Although it is asking permission to issue \$2,000,000.00 of stock it reports that it intends to sell, at this time, only \$500,000. thereof and to use the proceeds to pay the \$75,000. note due Bank of Italy and to pay in part its open account indebtedness. The remaining \$1,500,000. of stock it proposes to dispose of during 1928 to meet construction expenditures during that year.

While the company has reported that during 1928 it estimates its construction expenditures at \$4,919,045.00 it has not submitted any detail of such expenditures. It is of record that the company has undertaken the enlargement of its electric gener-

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ating station/by the installation of a 25,000 kilowatt turbine and auxiliaries at an estimated cost of \$2,100,000.

In view of the fact that no detailed statement of the company's proposed 1928 construction expenditures was filed, the order herein will authorize only the expenditure of \$500,000. of the proceeds which applicant will realize from the sale of the stock. Such an authorization is not to be construed as an approval of the total reported uncapitalized expenditures referred to herein but an approval only to the extent of \$500,000. It might be added that the testimony herein shows that applicant is computing interest during construction at the rate of seven percent per annum. This practice, we feel, is unwarranted under existing financial conditions and the order herein should not be considered as an approval of this charge, or of some other overhead or supervision construction costs, either for this or any rate fixing or other proceeding.

O R D E R

San Diego Consolidated Gas and Electric Company, having applied to the Railroad Commission for permission to issue \$2,000,000. of stock, a public hearing having been held before Examiner Fankhauser 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 for construction purposes, that the company should at this time be authorized to expend \$500,000. obtained from the sale of the stock to pay indebtedness and that such expenditures are not in whole or in part reasonably chargeable to operating expenses or to income, and that the expenditure of \$1,500,000. of the proceeds should not be made until hereafter authorized in subsequent orders herein,

IT IS HEREBY ORDERED that San Diego Consolidated Gas and Electric Company be, and it hereby is, authorized to issue and sell, on or before December 31, 1928, at not less than par, \$2,000,000. of its common capital stock and to expend not exceeding \$500,000. of the proceeds for the purpose of paying the outstanding note for \$75,000. in favor of the Bank of Italy and of paying in part the outstanding open account indebtedness referred to herein and through such payments permanently finance in part, construction expenditures made prior to October 31, 1927.

IT IS HEREBY FURTHER ORDERED that San Diego Consolidated Gas and Electric Company shall not expend any proceeds from the sale of the \$2,000,000. of stock herein authorized to be issued in excess of said \$500,000. until authorized to do so by subsequent orders in this proceeding.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof and, further, that applicant shall keep such record of the issue and sale of the stock 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, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 10<sup>th</sup> day of

January, 1928.

Leon Whitell

C. Seamy

Thos. J. R. [unclear]

M. J. [unclear]

Commissioners.