

Decision No. 20498

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAN DIEGO CONSOLIDATED GAS AND)
 ELECTRIC COMPANY,)
 a corporation, for an order)
 authorizing the issue and sale of)
 its common stock of the par value)
 of \$3,000,000.00.)

Application No. 15225.

Cummins, Roemer and Flynn;
 Sweet, Stearns and Forward;
 and
 Chickering and Gregory,
 by W. C. Fox, for applicant.

BY THE COMMISSION:

OPINION

San Diego Consolidated Gas and Electric Company has applied to the Railroad Commission for an order authorizing it to issue and sell, at par, \$3,000,000.00 of its common capital stock.

The application shows that the company has an authorized capital stock of \$30,000,000.00 consisting of 300,000 shares of the par value of \$100.00 each, divided equally into common stock and seven percent preferred stock. As of September 30, 1928, it is reported that there is outstanding \$6,292,500.00 of the preferred stock and \$7,032,500.00 of the common stock. In addition there

is reported outstanding \$13,868,000.00 of bonds and current and working liabilities of \$2,237,392.09.

The total assets and liabilities as of September 30, 1928, are reported as follows:-

ASSETS:

Fixed capital		\$32,515,079.29
Other investments		1,500.00
Current assets:		
Cash	\$198,586.93	
Notes receivable	33,645.36	
Accounts receivable	520,727.59	
Materials and supplies	411,329.42	
Other current assets	47,978.63	
Total current assets		1,212,267.93
Unamortized discount		942,087.34
Unadjusted debits		24,866.14
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Total Assets		\$34,695,800.70

LIABILITIES:

Common stock		\$ 7,032,500.00
Preferred stock		6,292,500.00
Bonds		13,868,000.00
Current liabilities:		
Due affiliated companies	\$1,066,152.86	
Accounts receivable	296,180.20	
Accruals	787,164.95	
Consumers' deposits	87,894.08	
Total current and working liabilities		2,237,392.09
Consumers' advances for construction		431,192.38
Reserves		3,474,509.06
Unadjusted credits		30,155.27
Surplus		1,329,551.90
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Total Liabilities		\$34,695,800.70

In making the present application to issue additional stock the company seeks permission to use the proceeds to reimburse its treasury for moneys heretofore expended for capital purposes and also to pay for construction expenditures made and to be made subsequent to September 30, 1928. In support of this request it alleges that its construction expenditures were fully capitalized on March 31, 1921, and that between March 31, 1921 and September 30, 1928, it

expended for construction work and in retiring bonded indebtedness the sum of \$20,743,506.79, of which amount \$2,649,204.48 was obtained from reserves and earnings and invested in properties, and \$14,305,360.50 was obtained through the issue and sale of stock and bonds heretofore authorized, leaving an uncapitalized balance as of September 30, 1928, of \$5,788,941.81. In addition to this amount the company estimates, as set forth in detail in the testimony herein and in Exhibit No. 2, that during the fifteen months subsequent to September 30, 1928, its construction expenditures will amount to \$4,893,790.00. The uncapitalized construction expenditures and the estimated expenditures aggregate \$8,682,731.81.

Although the company asked permission to use the proceeds from the sale of its stock to reimburse its treasury on account of reported uncapitalized construction work as of September 30th, it appears from the record herein that such construction work was financed in part through the use of \$1,066,152.00 represented by borrowed moneys; \$418,475.00 represented by consumers' advances; \$647,453.00 represented by other reserves; \$378,176.00 obtained from miscellaneous sources and \$1,278,685.00 obtained from surplus earnings. Applicant has made no showing that warrants this Commission to enter its order authorizing the company to issue \$3,000,000.00 of common stock to reimburse its treasury. While it may have expended \$3,788,941.81 for fixed capital purposes against which no stocks and bonds have been authorized, the testimony shows that \$1,484,627.00 was obtained by incurring liabilities while \$1,025,629.00 was secured from reserves or miscellaneous sources, leaving \$1,278,685.00 offset by surplus earnings. Under the record herein we can not authorize the issue of more than \$1,278,685.00 of stock for the purpose of reimbursing applicant's treasury. The remainder of the stock will be authorized to pay indebtedness due September 30, 1928, or finance construction expenditures incurred subsequent to that date.

W. F. Baber, applicant's vice-president and general manager, testified that all the proceeds from the sale of the stock will be used to finance construction expenditures.

Applicant has been paying dividends on its common stock at the rate of ten per cent per annum. All of its common stock except \$82,200.00 par value is said to be owned by Standard Gas and Electric Company. Applicant asks that it be permitted to sell its common stock at par. It will be offered to applicant's common stockholders in accordance with their respective stock holdings. It is urged that we should authorize the issue of the stock at par because of the practise of other companies and that to fix a price above par would compel the common stockholders to contribute to the surplus of the company. This reasoning is not persuasive. We are here dealing with a public utility whose property is devoted to public use. The public interest is paramount to the interest of the stockholder. The relation between applicant's rate base, as disclosed by previous decisions of the Commission and reports filed by applicant, and its outstanding securities, is such that we believe it should be permitted to issue the \$3,000,000.00 of common stock at par. It should, however, be understood that if the Commission is hereafter called upon to fix applicant's rates or any of them, it will not regard the dividends paid on common stock as representing the cost of the money obtained through the issue of such stock.

ORDER

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$3,000,000.00 of common 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 through the issue of such stock is reasonably required for the purposes set forth herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income,

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, 1929, at not less than par \$3,000,000.00 of its common capital stock and to use \$1,278,685.00 of the proceeds to reimburse its treasury; use \$1,484,627.00 to pay indebtedness due September 30, 1928, and use the balance plus such portion of the \$1,484,627.00 not used to pay indebtedness due September 30, 1928, to finance in part the estimated construction expenditures made and to be made subsequent to September 30, 1928, as set forth in detail in the record herein and in Exhibit No. 2.

The authority herein granted is subject to the following conditions:

- (1) Applicant shall keep such record of the issue, sale and delivery 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.

- (2) The authority herein granted will become
effective upon the date hereof.

DATED at San Francisco, California, this 21st
day of January, 1929.

Thos D. Lovell
Chas. J. Sawyer
Edmund J. Edwards
Leon Whitely
W. A. Carr
Commissioners.