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Decision No. 10742.

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 of \$1,500,000 par)
value of its First and Refunding Six)
per cent bonds, and \$331,100 par value)
of its preferred or common stock.)

Application No. 7439

ORIGINAL

BENEDICT, Commissioner.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission by Decision No. 9988, dated January 12, 1922 in the above entitled matter, authorized SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY to issue and sell on or before December 31, 1922 and subject to such other conditions as are contained in the order in said decision, \$1,500,000.00 of first and refunding Series "A" 6 per cent. bonds, and either \$331,100.00 of its 7 per cent. preferred stock or \$331,100.00 of its common stock, or such portions of either as it may elect to issue in the aggregate amount of \$331,100.00.

Applicant reports that it has sold the stock but none of the bonds. Since January 12th, there has been a decline in interest rates. To take advantage of the declining interest rates, applicant has postponed the sale of its bonds.

In its supplemental petition filed in the above entitled matter on July 1, 1922 and in the amendment to such petition filed on July 14, 1922, applicant asks permission to sell in lieu of the \$1,500,000.00 of first and refunding Series "A" 6 per cent. bonds authorized by Decision No. 9988, \$1,500,000.00 of Series "B" 5 per cent. bonds due March 1, 1947, and if necessary, to issue interim

certificates for a like amount pending the delivery of definitive bonds.

The company asks permission to sell its bonds at not less than 80 per cent. of their par value and accrued interest. By Decision No. 9988, the Commission authorized the company to sell 5 per cent. bonds at not less than 93 per cent. of their par value and accrued interest and also authorized applicant to issue stock for the purpose of financing construction items not covered on account of bond discount. In view of the fact that applicant now proposes to sell its bonds at not less than 80 per cent. of their face value and accrued interest, it requests permission to issue additional stock in the amount of \$198,600.00 to finance construction items not covered because of the additional discount. If applicant's bonds were sold at 80, the effective interest rate, taking into account only the discount on the bonds, would be about 6.65 per cent, while the effective interest rate at which applicant was heretofore authorized to issue 6 per cent. bonds was about 6.7 per cent. I believe that a minimum price of 80 and accrued interest for applicant's 5 per cent. bonds is too low. It occurs to me that applicant should be able to obtain at least 82 and accrued interest for its 5 per cent. bonds, and this order will fix the minimum price for which the bonds may be sold at that figure. As a result of changing the minimum price, applicant will not suffer so large a discount and will have to issue to finance construction items not covered by the sale of bonds, \$171,000.00 of its preferred stock instead of \$198,600.00.

A public hearing has been held on the supplemental application filed in the above entitled matter. The Commission has considered applicant's request and believes that it should be granted as herein provided, and that the money, property or labor to be procured or paid for by the issue of the bonds and stock herein authorized is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable

to operating expenses or to income;

IT IS HEREBY ORDERED, that the Commission's order in Decision No. 9988, dated January 12, 1922, in the above entitled matter, be, and it is hereby, modified so as to permit SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY to issue in lieu of the \$1,500,000.00 of first and refunding Series "A" 6 per cent. bonds due March 1, 1939, \$1,500,000.00 of first and refunding Series "B" 5 per cent. bonds due March 1, 1947, or a like amount of interim certificates pending the delivery of definitive bonds in exchange for such certificates, and sell said bonds or interim certificates for cash at a net price of not less than 82 per cent. of their face value and accrued interest.

IT IS HEREBY FURTHER ORDERED, that SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue and sell, on or before December 31, 1922, for cash, at a net price of not less than 96½ per cent. of its par value, \$171,000.00 par value of its 7 per cent. cumulative preferred stock and use the proceeds to pay in part the cost of acquiring and constructing the additions and betterments referred to in the order in Decision No. 9988, dated January 12, 1922.

IT IS HEREBY FURTHER ORDERED, that applicant's first supplemental application in the above entitled matter, in so far as it relates to the issue of \$27,600.00 of preferred stock be, and it is hereby, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 9988, dated January 12, 1922, shall remain in full force and effect except as modified by this first supplemental order.

DATED at San Francisco, California, this 20th day of July, 1922.

H. C. Bundy
Erving Watkins
W. P. Benedict

Commissioners