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Decision No. 10873.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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ORIGINAL

In the Matter of the Application of)
SAN DIEGO CONSOLIDATED GAS AND ELECTRIC)
COMPANY for an order authorizing the)
issue and sale of its preferred stock,)
of the par value of \$650,000.00.)

Application No. 8135.

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

BRUNDIGE, Commissioner.

O P I N I O N

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY asks permission to issue and sell at not less than par \$650,000.00 of its 7 per cent. cumulative preferred stock and use the proceeds to pay a commission of not exceeding 3-1/2 per cent. in connection with the sale of the stock and to finance in part the cost of extensions and additions to its properties and plants.

The company reports that from April 1, 1921 to June 30, 1922, it expended for construction purposes the sum of \$2,868,790.62 and estimated its net construction expenditures for the six months ending December 31, 1922, at \$1,803,678.00, making a total of \$4,672,468.62. In its Exhibit No. 4 applicant apportions its estimated expenditures as follows:

Gas production,	\$612,075.00
Gas Distribution system, . . .	182,433.00
Electric production,	521,394.00
Electric Distribution system, .	462,804.00
General purposes,	21,104.00
Steam plant,	3,868.00
Total,	\$1,803,678.00

From the actual and estimated expenditures of \$4,672,468.62, the company deducts in its Exhibit No. 3 the proceeds obtained from the sale of stock and bonds and cash from earnings

as follows:-

Proceeds from sale of bonds, authorized to be issued,	\$1,987,500.00
Proceeds from sale of stock authorized to be issued,	1,430,859.57
Cash from earnings from January 1, 1920 to December 31, 1922,	<u>405,857.52</u>
Total,	\$3,824,217.09

leaving a balance to be financed . of \$848,251.53.

It is for the purposes of financing in part the expenditures of \$848,251.53 that applicant asks permission to issue and sell \$650,000.00 of its preferred stock.

It is of record that the reported expenditures of \$2,868,790.62 to June 30, 1922, include \$100,000.00, which the company agreed to pay for the properties of the United Light, Fuel and Power Company. The Commission in its Decision No. 10601, dated June 16, 1922, in Application No. 7742, held that \$25,000.00 of the purchase price of the properties must be obtained from sources other than the sale of stock, bonds, notes or other evidences of indebtedness. Quoting from the Commission's decision --

"If the company concludes to pay \$100,000.00 for these properties (United Light, Fuel and Power Company) it will be necessary for it to obtain \$25,000.00 of the purchase price from some source other than through the issue of bonds, stock, notes or other evidences of indebtedness authorized by this Commission. In my opinion, the evidence in this case does not warrant the Commission in making an order authorizing the issue of stock for the purpose of paying \$25,000.00 for the right to conduct an electrical distributing business in the City of Coronado."

The \$25,000.00, therefore, should be deducted from the company's actual or estimated expenditures against which it intends to issue stock or other securities. Deducting the \$25,000.00 from the \$848,251.53 leaves a balance of \$823,251.53, an amount considerably in excess of the \$650,000.00 of stock which applicant asks permission to issue and sell.

The company proposes to sell its stock at par, but asks permission to expend in payment of commissions in connection

with the sale of said stock an amount equivalent to not exceeding 3-1/2 per cent. of the par value of the stock sold.

I herewith submit the following form of Order:-

O R D E R

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for permission to issue \$650,000.00, a public hearing having been held 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 for the purpose or purposes specified herein and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue and sell, for cash, at not less than par \$650,000.00 of its 7 per cent. cumulative preferred stock.

The authority herein granted is subject to further conditions as follows:

- 1.-- Of the proceeds from the sale of the stock an amount equivalent to not more than 3-1/2 per cent. of the par value of the stock sold may be expended by applicant in payment of commissions and expenses incurred in connection with the sale of the stock.
- 2.--The remainder of the proceeds from the sale of the stock herein authorized shall be used by applicant to finance in part the cost of such extensions, additions and betterments described in this application as may be properly chargeable to capital account under the uniform system of accounts prescribed or adopted by the Railroad Commission.

3.--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 in so far as applicable is made a part of this order.

4.--The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before December 31, 1922.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of August, 1922.

H. K. Brandt
Irving Martin
Charles H. Brown
J. J. Pennington

Commissioners.