

ORIGINAL

Decision No. 2097

Decision ✓

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the appli- )  
 cation of the Escondido )  
 Utilities Company for authority )  
 to issue a note or notes and )  
 pledge bonds as collateral. )

Application #1443.

A. H. Sweet, for applicant.

GORDON, Commissioner.

O P I N I O N

This is an application on the part of the Escondido Utilities Company to issue its two-year 8% note or notes for the face value of \$30,000.00 and pledge as security therefor its first mortgage 6% gold bonds to the face value of \$45,000.00. It is proposed to sell the note or notes so as to realize \$28,000.00 and use the proceeds for the following purposes:

To redeem bonds, .....	\$ 3,000.00
To retire note now held by the First National Bank of Escondido, ..	5,000.00
To retire note now held by W. S. Sheperdson, .....	16,000.00
To pay floating indebtedness, .....	1,449.53
To defray cost of improvements of present system (Schedule 2, Sec. 1) ..	2,473.50
Balance, .....	<u>76.97</u>

Total, .....\$28,000.00

Applicant desires authority to apply the difference, if any, between the face value (\$16,000) of the note held by W. S. Sheperdson and the amount paid by it to discharge said

note, to pay the cost, so far as possible, of extensions which as per Schedule 2, Section 2 of the application herein, is estimated at \$6,051.71. The cost of the proposed extensions, applicant segregates as follows:

Transformers, cutouts, power and lights, . . . . .	\$1,430.00
105 Meters at \$6.85, . . . . .	719.25
150 - 35 ft. poles at \$6.00, . . . . .	900.00
100 - 30 ft. poles at \$5.00, . . . . .	500.00
150 - 20 ft. poles 4/6 at \$1.00, . . . . .	150.00
150 cross arms 3 x 4 6 pin. at 50¢, . . . . .	75.00
100 cross arms 3 x 4 4 pin. at 35¢, . . . . .	35.00
350 brackets (oak) at 10¢, . . . . .	3.50
600 Glass Insulators, 2300 volts, . . . . .	210.00
800 Glass Insulators, 115 volts, . . . . .	240.00
1,000 ft. 5/16 inches galvanized cable, . . . . .	50.00
Bolts, nuts and washers, . . . . .	50.00
1,400 Oak pins, . . . . .	100.00
2,216 lbs. #6 copper wire at 18¢, . . . . .	398.88
1,046 lbs. #10 W.P. wire at 18¢, . . . . .	190.08
Labor, . . . . .	<u>1,000.00</u>

Total, . . . . . \$6,051.71

Escondido Utilities Company is engaged in the gas and electric business in Escondido, San Diego County. For the thirteen months ending December 31, 1914, it reported operating revenues amounting to \$16,555.40. For the same period the operating expenses (including \$2,359.16 interest, \$766.49 taxes but no depreciation) amounted to \$17,447.59. The deficit for the thirteen months, without charging depreciation was \$891.99.

For the details in regard to the operations of this applicant and the circumstances surrounding the issue of its note of \$16,000 to W.S. Sheperdson, reference is hereby made to the record in Application No. 1355 upon which findings will hereafter be issued.

In this application, as stated above, applicant desires authority to issue its 8 per cent note or notes to the face value of \$30,000 at such price as to net it \$28,000. Applicant desires further authority to issue said note or notes for a period of time not exceeding two years. The interest on the \$30,000 at 8 per cent would amount to \$2,400 per annum. Taking into consideration the proposed discount, applicant would be paying more than 15 per cent for the use of the money if borrowed for one year, and more than 12 per cent if borrowed for two years.

During the hearing of this application, attention was called to the increase of interest charge, and the inadequate earnings to meet such increase. Witnesses for applicant testified that they expected an increase in the earnings during the current year. However, such increase in earnings is more or less uncertain.

In view of the facts as above set forth, I believe a portion of the sum needed should be raised by an assessment upon the applicant's stock.

As the applicant states that its obligations are at this time pressing, I shall recommend that the application be granted, with the reservation that a portion of the notes herein authorized shall be paid by an assessment upon applicant's stock. I am not willing at this time to recommend such a heavy discount as applicant herein proposes, and the order will provide that the discount may not exceed \$1,000 instead of \$2,000 as requested.

I think that all of the necessities of this case will be met if this Commission authorizes, therefore, note or notes not in excess of \$29,000, from which the applicant shall realize the sum of \$28,000, on condition that the applicant shall assess its stockholders in a sum amounting to \$5,000 within the next twelve months and apply the proceeds from such assessment toward the liquidation of the note or notes herein authorized.

Accordingly I recommend the following form of order:

#### O R D E R

Escondido Utilities Company having applied to this Commission for authority to issue note or notes as set forth in the foregoing opinion, and a hearing having been held and it appearing that the purposes for which it is proposed to issue said note or notes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Escondido Utilities Company be granted authority and it is hereby granted authority to issue its note or notes in a total sum not to exceed \$29,000.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) The note or notes herein authorized to be issued shall be issued for a period not to exceed two years from date; shall be sold by the applicant so as to net not less than 96½ per cent of the face value thereof; and shall bear a rate of interest not to exceed 8 per cent per annum.

(2) The proceeds from note or notes herein authorized to be issued shall be used for the following purposes and not otherwise:

To redeem bonds .....	\$3,000.00
To retire note now held by the First National Bank of Escondido..	5,000.00
To retire note now held by W. S. Sheperdson not to exceed,....	16,000.00
To pay floating indebtedness .....	1,449.53
To defray cost of improvements of present system (Schedule 2, Sec. 1) .....	2,473.50
Balance .....	<u>76.97</u>
Total .....	\$28,000.00

(3) The note or notes herein authorized to be issued shall be issued only after the Board of Directors of Escondido Utilities Company shall have filed with this Commission a statement in writing to the effect that an assessment will be levied upon the stock of the applicant herein during the calendar year 1915 in a total sum not less than \$5,000, and that such sum as may be realized from said assessment shall be applied toward the liquidation of indebtedness represented by the note or notes herein authorized to be issued.

(4) It is further ordered that the applicant be granted authority and it is hereby granted authority to pledge its first mortgage 6 per cent gold bonds as collateral security for the note or notes herein authorized to be issued in such ratio that the

face value of the note or notes issued shall be not less than 66-2/3 per cent of the face value of the bonds pledged as collateral for such note or notes.

(5) The bonds herein authorized to be pledged are authorized to be pledged for the specific purposes named and after such issue shall be returned to applicant's treasury and issued thereafter only upon the order of this Commission.

(6) Escondido Utilities Company shall keep separate, true, and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the note or notes hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said note or notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) The authority herein granted shall apply to such note or notes as shall have been issued on or before December 31, 1915.

(8) The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

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 22nd day of  
January, 1915.

Railroad Commission State of California

*Fee \$29.00*  
JAN 22 1915  
BY *A. G. Mathewson*  
Assistant Secretary.

*H. D. Loveland*

*Edwin O. Edgerton*  
*Francis R. Dehn*

Commissioners.