

ORIGINAL

Decision No. 3396

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of SANTA BARBARA GAS AND ELECTRIC COMPANY for an order authorizing the execution of a trust deed and the issuance of bonds secured thereby.

Application

No. 2269.

William G. Griffith for Applicant.

BY THE COMMISSION.

O P I N I O N

This is an application of Santa Barbara Gas and Electric Company for authority to execute a mortgage of its properties and to issue \$1,000,000 of bonds.

The applicant is engaged in the generation and distribution of gas and electricity in and about the city of Santa Barbara. Its affairs have heretofore been reviewed in detail by this Commission in connection with authorizations heretofore given for the issue of bonds. (Opinions and Orders of the Railroad Commission of California, Vol. 3, Decision No. 789, page 95, and Vol. 6, Decision No. 2182, page 247).

The stock of the applicant is controlled by Southern California Edison Company. The applicant filed a statement with this Commission alleging the original cost of its properties as of March 31, 1916, to have been \$1,338,385.53. In this connection it submitted the following condensed statement of assets and liabilities as of March 31, 1916:

ASSETS:

Fixed Capital -

Intangible -

Organization	\$6,572.47	
Franchises	<u>875.30</u>	
Total Intangible		\$ 7,447.77

Tangible -

Plant	1,289,559.47
Material and Supplies	27,585.10
Automobiles	884.38
Sinking and Other Funds	<u>76.50</u>

Deferred Assets -

Prepaid Taxes	\$3,642.39
Prepaid Insurance	1,703.34
Prepaid Interest	1,062.50
Miscellaneous Prepaid Items (Clearing Accounts)	2,800.89
Other Suspense	<u>47.30</u>

Total Deferred Assets 9,256.42

Balance of Current Assets over Current Liabilities

Current Assets -

Cash	\$21,127.71
Special Deposits	100.00
Accounts Receivable	<u>31,564.93</u>

Total Current Assets ... \$52,792.64

Current Liabilities

Accounts Payable	\$23,715.41
Consumers Deposits ...	12,685.93
Interest Accrued	12,648.61
Taxes Accrued	<u>166.80</u>

Total Current Liabilities \$49,216.75

Balance Current Assets over Current Liabilities 3,575.89

TOTAL ASSETS \$1,338,385.53

LIABILITIES:

Funded Debt	\$842,500.00
Notes Payable	<u>130,000.00</u>

TOTAL LIABILITIES 972,500.00

EXCESS OF ASSETS \$ 365,885.53

Capital Stock:

Preferred Stock - Par Value ..	\$400,000.00
Common Stock - Par Value	400,900.00

For the year ending April 30, 1916, Santa Barbara Gas and Electric Company reported the following revenues and expenses:

Operating Revenue -

Electric	\$214,935.21
Gas	<u>129,760.11</u>
Total Operating Revenue	\$344,695.32

Operating Expenses -

Electric	\$105,233.15
Gas	<u>73,287.43</u>
Total Operating Expenses	<u>\$178,520.58</u>

Net Operating Revenue - \$166,174.74

Less Uncollectible Bills 1,973.24

Balance \$164,201.50

Net Non-Operating Revenue 860.64

Total Net Revenue - \$165,062.14

Less Reserve for Accrued
Depreciation 50,000.00

Balance Applicable to Interest
and Surplus - \$115,062.14

Fixed Charges -

Bond Interest \$ 49,448.00

Other Interest 4,121.16

Amortization of Debt Discount
and Expense 1,393.02

Rent of Conduits, Poles, Etc. .. 71.06

Total Deductions \$ 55,033.24

B a l a n c e \$ 60,028.90

The applicant proposes to execute a mortgage to secure a total authorized bonded indebtedness of \$3,500,000 and to issue and sell at this time bonds in the amount of \$1,000,000. It has a conditional contract for the sale of these bonds at 91 per cent. of face value which will net a total of \$910,000. It is proposed to apply the proceeds as follows:

To retire \$842,500 of present issue of outstanding bonds at 105 per cent. of face value	\$884,625.00
To reimburse treasury for capital expenditures from income	<u>\$ 25,375.00</u>
Total	\$910,000.00

The applicant has outstanding \$842,500 in bonds under a trust deed which admits of a total issue of \$1,000,000. As the company has also a floating indebtedness of \$130,000 and intends to make further additions to its property, it is under the necessity of arranging a new financial medium to take care of its necessities. The present issue of bonds bears six per cent. interest. Part of this issue was authorized by the Railroad Commission to be sold at 95 per cent. of face value. These bonds command a high figure in the market and the applicant asserts that it will be necessary to pay the call price of 105 to redeem them.

The bonds which the applicant proposes to issue will carry five per cent. interest. This issue will be dated July 1, 1916. Bonds in the sum of \$210,000 will mature serially at the rate of \$10,000 per annum, from 1920 to 1940 inclusive. The remaining bonds will mature in 1941.

The deed of trust securing the proposed new issue of bonds provides that \$1,000,000 may be issued immediately and the remaining \$2,500,000 hereafter to pay for eighty per cent. of the cost of additions and betterments, provided the net earnings of the company shall have been for the year previous twice the interest on the bonds outstanding and on the bonds to be issued. The trust deed provides further that these bonds may be redeemed on or after July 1, 1917, at 103 plus accrued interest. Provision is made for a special trust fund of one per cent. annually of all of the bonds which may be issued. This trust fund may be used either for additions and betterments or for the redemption of bonds. In addition, a sinking fund is created to consist of one per cent. annually of all of the bonds which may be issued in excess of the first \$1,000,000. This sinking fund must be applied toward the redemption of bonds.

The applicant has operated at a profit over a period of years. It paid a six per cent. dividend on its preferred stock issue of \$400,000 in 1911 and 1912 amounting to \$24,000 per annum. In 1914 and 1915 it paid a five per cent. dividend on the preferred stock. Dividends were paid on the \$400,000 par value of common stock as follows: one-half of one per cent. in 1911; three per cent. in 1914; four per cent. in 1915.

The applicant reports a surplus of \$57,131.89.

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Refutation
We find that the applicant has reinvested from its income a sufficient amount to warrant reimbursement in the sum of \$25,375 as requested. The present application is primarily an application to refund an outstanding issue of bonds. Under the new plan of finance, Santa Barbara

Gas and Electric Company will be enabled to borrow money more advantageously than at present.

Although no complete valuation has been submitted in connection with this application, ^{we} I believe the showing of original cost is sufficient to justify the issue ^{we} herein requested. I therefore recommend that the application be granted and submit the following form of order:

O R D E R

SANTA BARBARA GAS AND ELECTRIC COMPANY having applied to this Commission for authority to execute a mortgage of its properties and to issue \$1,000,000 face value of bonds, and a hearing having been held and it appearing that the purposes for which the applicant proposes to issue said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Santa Barbara Gas and Electric Company be granted authority, and it is hereby granted authority, to execute a mortgage of its properties to Los Angeles Trust and Savings Bank substantially in a form as set forth in Exhibit "A" attached to the application herein, to which reference is hereby made.

IT IS FURTHER ORDERED that Santa Barbara Gas and Electric Company be granted authority, and it is hereby granted authority, to issue \$1,000,000 face value of its five per cent. first mortgage bonds under said mortgage and deed of trust to Los Angeles Trust and Savings Bank.

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

1. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

2. The bonds herein authorized to be issued shall be sold to net the applicant not less than ninety-one (91%) per cent. of the face value thereof, plus accrued interest.

3. The proceeds from the sale of the bonds herein authorized to be issued shall be used for the following purposes:

(a) To retire applicant's outstanding issue of \$824,500 of bonds at 105 per cent. of face value \$884,625.

(b) To reimburse applicant's treasury for capital expenditures made from income \$ 25,375.

4. The unamortized discount on applicant's bonds heretofore issued shall be charged to the surplus account as the bonds are retired and the premium of five per cent. herein authorized to be paid on applicant's outstanding issue of \$824,500 of bonds shall be written off against applicant's surplus over a period of not to exceed the life of the bonds herein authorized to be issued.

5. Santa Barbara Gas and Electric Company shall keep separate, true and accurate accounts showing the

receipt and application in detail of the proceeds of the sale of the bonds 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 bonds 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.

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

7. The authority herein granted shall apply to such bonds as shall have been issued on or before June 30, 1917.

Dated at San Francisco, California, this 2nd day of June, 1916.

Max Thelen
H. B. Ireland

Frank Deolin

Commissioners

Railroad Commission State of California
File # 795-00
JUN 6 1916
E. H. Macdonald
Assistant Secretary