

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
SAN DIEGO CONSOLIDATED GAS AND ELEC- )  
TRIC COMPANY for authority to issue )  
bonds of the face value of \$338,000. )  
and preferred stock of the par value )  
of \$225,000. )

ORIGINAL

Application No. 2661.

Decision No. 4093

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

TESLEN, Commissioner.

O P I N I O N.

The amended and supplemental petition herein asks authority on behalf of San Diego Consolidated Gas and Electric Company to issue first mortgage bonds of the face value of \$338,000.00 and preferred stock of the par value of \$225,000.00

The financial affairs of Petitioner have been reviewed by this Commission in a number of decisions during the last few years. Reference is hereby made to such decisions and particularly to Decision No. 3839, made on November 3, 1916, in Application No. 1925, in which proceeding the Railroad Commission established all the rates to be charged by San Diego Consolidated Gas and Electric Company for both electricity and gas.

In Schedule No. 4, attached to the amended and supplemental petition herein, Petitioner shows the amounts expended by it for capital purposes from January 1, 1909, to December 31, 1912, and from December 31, 1912, to December 31, 1916, together with the amount of first mortgage 5 per cent bonds which, under Petitioner's deed of trust or mortgage, Petitioner is entitled to issue as against such construction. The remaining bonds which Petitioner is thus entitled to issue as against construction

expenditures to December 31, 1916, is alleged by Petitioner to be \$313,000.00. Said Schedule No. 4 is as follows:

Construction Expenditures of San Diego Consolidated  
Gas and Electric Company - January 1, 1909,  
To December 31, 1916.

January 1, 1909 to December 31, 1912.

GAS DEPARTMENT

Real Estate and Buildings	\$ 68,377.76	
Gas Plant	256,486.40	
Gas Mains	505,931.75	
Gas Services	201,198.47	
Gas Meters	82,102.29	
Gas District Governors	<u>1,021.45</u>	1,115,118.12

ELECTRIC DEPARTMENT

Real Estate and Buildings	125,831.17	
Steam Plant	342,304.99	
Electric Plant	156,858.72	
Street Lines and Wires Overhead	664,731.00	
Street Lines and Wires Underground	193,551.69	
Arc Light Installation	* 9,353.47	
Electric Services	57,880.23	
Electric Meters	137,578.11	
Transformers	151,696.02	
Hot Salt Water Mains	<u>4,863.92</u>	1,825,942.38

GENERAL

Office Building	27,676.58	<u>27,676.58</u>
Total January 1, 1909 to December 31, 1912 - - - -		\$2,968,737.08

December 31, 1912 to December 31, 1916.

GAS DEPARTMENT

Land devoted to Gas Operations	10,281.94
Gas Plant Buildings and General Structures	25,383.77
Gas Holders	118.47
Gas Generators	48,738.37
Purification Apparatus	47,900.91
Miscellaneous Gas Plant Equipment	400.45
Water Gas Sets and Accessories	15,654.34
Accessory Equipment at Works	124,550.53
Miscellaneous Production Equipment	139.55
Transmission Mains	92,046.81
Transmission Bldgs. and Gen'l Structures	9.85
Boosting Apparatus and Regulators	11,070.33
Miscellaneous Transmission Equipment	188.03
Distribution Mains	<u>132,935.24</u>

Gas Department (Continued)

Gas Services	112,296.51	
Gas Meters	69,483.37	
Gas Regulators	14,152.76	
Installations on Consumers Premises	1,917.14	
Miscellaneous Distribution Equipment	<u>1,865.92</u>	\$ 709,134.29

ELECTRIC DEPARTMENT

Land Devoted to Electric Operations	12,203.10	
Power Plant Buildings and Gen'l Struct.	823.40	
Furnaces, Boilers and Accessories	59,547.98	
Steam Power Plant Equipment	108,685.78	
Miscellaneous Production Equipment	2,206.10	
Poles and Fixtures Transmission	31,168.64	
Overhead System Transmission	37,357.42	
Poles and Fixtures Distribution	217,752.22	
Overhead System Distribution	173,867.62	
Underground Conduits	49,598.93	
Substation Bldgs. and Gen'l Structures	946.14	
Substation Equipment	42,743.01	
Miscellaneous Equipment	2,946.61	
Line Transformers and Devices	165,940.89	
Electric Service	43,602.26	
Electric Meters	76,686.88	
Municipal Street Lighting System	74,327.17	
Commercial Lamps and Lamp Equipment	<u>195.85</u>	1,100,500.00

GENERAL

General Structures	49,285.43	
General Store Equipment	4,603.96	
Miscellaneous Equipment	2,537.04	
Fixed Capital in Other Departments	<u>151.78</u>	<u>56,578.21</u>

Total December 31, 1912 to December 31, 1916 - - - - - \$1,866,212.50

Total January 1, 1909 to December 31, 1916 - - - - - \$4,834,949.58

Deducting additional amount to be expended as  
per Trust Deed Section 3, Article 1 - - - - - 200,000.00  
\$4,634,949.58

Deducting depreciation and renewal fund  
expended for construction - - - - - 729,393.97  
\$3,905,555.61

Bonds issued for construction purposes \$2,616,000.00  
against which there has been expended - - - - - 3,488,000.00

Leaving balance of - - - - - \$ 417,555.61

Which at .75% entitles Company to issue  
\$313,000.00 in First Mortgage 5% Bonds against  
construction expenditures to December 31, 1916.

\* Deduction.

Petitioner further represents that in addition to the expenditures referred to in the foregoing tabulation, Petitioner, in 1916, acquired the property of Oceanside Electric and Gas Company, in the City of Oceanside, San Diego County, at a cost to Petitioner of \$37,716.85. Petitioner asks authority to issue against said purchase price its first mortgage bonds of the face value of \$25,000.00, at 95 per cent of their face value and to issue against the balance of the purchase price its preferred stock, at par, amounting to \$13,966.85.

Referring to the proposed issue of preferred stock, Petitioner represents that subsequent to March 31, 1912, Petitioner has expended for construction, betterments and additions to its plant, system and equipment other than the purchase of the Oceanside property, the sum of \$2,553,774.13, for which amount Petitioner has been reimbursed by the sale of securities as follows:

	<u>Par Value</u>	<u>Net Sale Proceeds</u>
Bonds	\$1,091,000.00	\$ 982,555.00
Debentures	356,000.00	333,200.00
Preferred Stock	144,000.00	144,000.00
Common Stock	<u>240,000.00</u>	<u>264,000.00</u>
Total,	\$1,831,000.00	\$1,723,755.00

By deducting the total net sale proceeds of \$1,723,755.00 from said total expenditure of \$2,553,774.13, there is left a balance of \$830,019.13, as to which petitioner alleges that it has been reimbursed from its depreciation reserve in the sum of \$331,199.20, from its surplus account in the sum of \$24,902.69, and by amortization of debt discount and expense in the sum of \$67,763.98, being a total of \$423,875.87. By deducting said items of reimbursement from said balance of \$830,019.13, Petitioner

alleges that there is remaining the sum of \$406,143.26 as to which sum Petitioner avers that it has not been reimbursed in any manner and which sum is said to be uncapitalized by the issue of securities. Petitioner further refers to the cost of the Oceanside property, being \$37,716.85 and to the additional sum of \$102,500.00 necessary to bring Petitioner's working capital up to the amount allowed by the Railroad Commission in its said Decision No. 3839, thus making a total uncapitalized expenditure amounting to \$546,360.11. Petitioner estimates that it will receive from the sale of its bonds the sum of \$321,100.00, thus leaving a balance of \$225,260.11 uncapitalized, against which Petitioner desires to issue its preferred stock.

Petitioner proposes to sell said bonds of the face value of \$338,000.00 at not less than 95 per cent of their face value, plus accrued interest, and said \$225,000.00, par value, of preferred stock at not less than par. Petitioner proposes to use the proceeds from the sale of said securities for the purpose of paying off and liquidating its floating indebtedness and promissory notes set forth in Schedule No. 1, attached to the amended and supplemental petition and also in the order herein.

In Decision No. 3380, made on May 26, 1916, in Application No. 2290, the Railroad Commission made its order authorizing San Diego Consolidated Gas and Electric Company to purchase the capital stock of Oceanside Electric and Gas Company. In Decision No. 3386, made on August 18, 1916, in Application No. 2365, the Railroad Commission authorized Oceanside Electric and Gas Company to sell its entire ~~physical~~ property to San Diego Consolidated Gas and Electric Company. San Diego Consolidated Gas and Electric Company reports that it paid for the Oceanside property the sum of \$37,716.85.

As appears in said Decision No. 3380, in said Applica-

tion No. 2290, the estimated cost to reproduce new the physical property of Oceanside Electric and Gas Company as of May 19, 1916, was the sum of \$47,139.00, and the estimated cost to reproduce the property new less accrued depreciation, was the sum of \$28,467.00. The property concerning which these estimates were made includes property which will be of no service to San Diego Consolidated Gas and Electric Company and which said company will hereafter dispose of or abandon. One of the conditions in the order in said Decision No. 3380, assented to by San Diego Consolidated Gas and Electric Company, was that said company would never urge the purchase price of the capital stock of Oceanside Electric and Gas Company as representing the fair value of said capital stock. I am satisfied that the amount paid by San Diego Consolidated Gas and Electric Company for the Oceanside property is in excess of the fair value of the property. That securities should not be issued against such excess is, of course, elemental. The excess should be charged against surplus, so that it is paid for by the stockholders of San Diego Consolidated Gas and Electric Company out of their pockets in the form of diminished dividends. Under such an arrangement there would be no prejudice either to the rate payers of San Diego Consolidated Gas and Electric Company or to the holders of its securities.

After careful consideration, I have reached the conclusion that as against the purchase price of <sup>the</sup> Oceanside property, San Diego Consolidated Gas and Electric Company may issue its first mortgage bonds of the face value of \$21,000.00 and its preferred stock of the par value of \$8,500.00, the balance of the purchase price to be charged against the surplus of San Diego Consolidated Gas and Electric Company.

In other respects I recommend that the application be

granted as made. The result of the granting of the application will be that San Diego Consolidated Gas and Electric Company will have been completely reimbursed to December 31, 1916, for all expenditures for capital account incurred to said date. Hereafter, the company proposes to submit its proposed expenditures in advance, in so far as possible, thus materially facilitating the Railroad Commission's action on the company's applications to issue securities. This procedure should be adopted in so far as possible by all utilities which make application to the Railroad Commission, from time to time, for authority to issue securities against capital expenditures.

I 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 an order authorizing the issue of bonds and of preferred stock as indicated in the opinion which precedes this order, a public hearing having been held herein and this proceeding having been submitted and being ready for decision,

IT IS HEREBY ORDERED that San Diego Consolidated Gas and Electric Company be and the same is hereby authorized to issue its first mortgage five per cent bonds of the face value of \$334,000.00 and its preferred stock of the par value of \$219,000.00, on the following conditions and not otherwise, to-wit:

1. San Diego Consolidated Gas and Electric Company shall issue its said bonds at not less than ninety-five (95) per cent of their face value, plus accrued interest, and its said preferred stock at not less than par.

2. San Diego Consolidated Gas and Electric Company

shall use the proceeds from the issue of said bonds and said preferred stock, in so far as said proceeds will go, for the purpose of paying the floating indebtedness and promissory notes of San Diego Consolidated Gas and Electric Company as of December 31, 1916, as follows:

- (1) Promissory note dated November 20, 1916, executed by San Diego Consolidated Gas and Electric Company favor H. K. Adams, payable May 20, 1917, with interest at the rate of 5% per annum,  
principal \$5,000.00
- (2) Promissory note dated November 20, 1916, executed by San Diego Consolidated Gas and Electric Company favor H. K. Adams, payable May 20, 1917, with interest at the rate of 5% per annum,  
principal \$5,000.00
- (3) Promissory note dated November 20, 1916, executed by San Diego Consolidated Gas and Electric Company favor First National Bank, Lisbon, North Dakota, payable May 20, 1917, with interest at the rate of 5% per annum,  
principal \$7,500.00
- (4) Promissory note dated November 20, 1916, executed by San Diego Consolidated Gas and Electric Company favor First National Bank, McCook, Nebraska, payable May 20, 1917, with interest at the rate of 5% per annum,  
principal \$7,500.00
- (5) Promissory note dated November 23, 1916, executed by San Diego Consolidated Gas and Electric Company favor Bank of Commerce and Trust Company, San Diego, California, payable May 23, 1917, with interest at the rate of 6% per annum,  
principal \$40,000.00
- (6) Promissory note dated November 23, 1916, executed by San Diego Consolidated Gas and Electric Company favor Melville Klauber, payable on or before May 23, 1917, with interest at the rate of 6% per annum,  
principal \$10,000.00
- (7) Promissory note dated November 23, 1916, executed by San Diego Consolidated Gas and Electric Company favor Klauber Wangenheim Company, San Diego, California, payable on or before May 23, 1917, with interest at the rate of 6% per annum,  
principal \$10,000.00
- (8) Promissory note dated November 21, 1916, executed by San Diego Consolidated Gas and Electric Company favor The First National Bank of San Diego, California, payable May 21, 1917, with interest at the rate of 5% per annum,  
principal \$25,000.00
- Total, - - - - - \$110,000.00
- (9) Accounts payable 123,602.88



- |      |  |              |
|------|--|--------------|
| (10) | Due Standard Gas and Electric Company<br>on open account | \$324,508.11 |
| (11) | Due H. M. Byllesby & Company on<br>open account          | 7,408.71     |

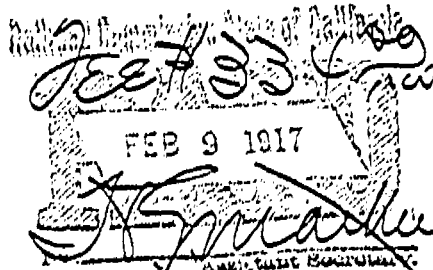
3. San Diego Consolidated Gas and Electric Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and preferred stock hereby authorized to be issued, and on or before the 25th day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds and preferred stock during the preceding month, the terms and conditions of 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.

4. The authority hereby given to issue bonds shall not become effective until San Diego Gas and Electric Company has paid the fee specified in the Public Utilities Act.

5. The authority hereby given to issue bonds and preferred stock shall apply only to bonds and preferred stock issued by San Diego Gas and Electric Company on or before June 30, 1917.

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 8th day of February, 1917.



*Max Thelen*  
*W. H. Ireland*  
*W. L. Gordon*  
*James P. DeLoach*  
 COMMISSIONERS