

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 \$204,000, face value, First Mortgage Bonds.

Application No. 378.

A. E. Sweet for applicant.

THELEN, Commissioner.

OPINION.

This is an application for authority to issue applicant's first mortgage gold bonds, of the face value of \$204,000, in accordance with the provisions of applicant's deed of trust to Harris Trust and Savings Bank and Los Angeles Trust Company, dated March 1, 1909. This deed of trust provides, among other things, that applicant is entitled, as far as affects the relationship between itself and the trustee, to call upon the trustee for certification and delivery of bonds amounting to 75 per cent of the actual and reasonable cash cost to applicant of permanent extensions and improvements to its plant, properties and equipment.

In Application No. 192, in which case this Commission's order was made on September 4, 1912, applicant applied for authority to issue first mortgage bonds of the face value of \$208,000 on account of permanent additions and improvements made between March 23, 1912 and July 31, 1912, and for \$42,000, face value, first mortgage bonds for the acquisition of certain property amounting to \$56,216.62, which property is specified in this Commission's opinion on that application. In connection with Application No. 378 applicant now presents a statement marked "Schedule 4" showing the nature and description of expenditures for construction from July 31, 1912, to November 30, 1912, as follows:

Real Estate and Buildings, Gas Department,	\$ 4420.85
Gas Plant-----	18770.97
Gas Mains-----	28894.53
Gas Service-----	35384.75
Gas Meters-----	14185.42
Real Estate & Buildings, Electric Department,	4418.56
Steam Plant-----	55251.67
Electric Plant -----	28334.67
Street lines and wires overhead-----	79871.27
Street Lines and Wires underground-----	17812.47
Arc Light Installation-----	1141.13
Electric Service-----	9688.46
Electric Meters-----	19271.09
Transformers-----	8562.16
Office Building-----	<u>1666.22</u>
	\$327674.22

In order to secure the amount of \$204,000 as to which the applicant now asks authority to issue additional first mortgage bonds, applicant subtracts from said sum of-----\$327,674.22 the sum of-----\$ 56,216.62 being the money expended on the items for which the Commission in Application No. 192 authorized the issue of bonds of the face value of \$42,000, and then takes 75 per cent of the remaining sum. In other words, applicant asks authority to issue bonds of the face value of \$204,000 as against additional property, amounting to \$271,457.60. The remaining 25 per cent will be taken care of in some other way.

Applicant has filed with this Commission its profit and loss statement for the year ending December 31, 1912, as follows:

Gross Earnings		\$1,019,470.84
Operating Expenses		507,703.83
Net Earnings		<u>\$ 511,767.01</u>
Bond Interest	159,002.82	
General Interest	6,136.78	
Depreciation	84,000.00	
Bond Discount	10,170.00	
Reorganization	3,000.00	262,309.60
		<u>249,457.41</u>
Preferred Stock Dividends	28,690.40	
Common Stock Dividends	159,635.00	188,325.40
		<u>188,325.40</u>
Surplus for year ending December 31, 1912		\$ 61,132.01

Applicant last year paid a 7 per cent dividend on its entire issued capital stock and set aside an amount of \$84,000 for depreciation, and had remaining at the end of the year a surplus of \$61,132.01.

For further details with reference to applicant's stock and bond issues and financial condition reference is hereby made to this Commission's opinion in Application No. 192.

I do not in this opinion pass on the question as to whether or not all of the 25 per cent of expenditure in excess of the amounts for which bonds are to be issued is properly chargeable to capital account. I desire again to draw attention to an item of 7½ per cent for engineering credited to H. M. Byllesby & Company, the owners of the property, on all construction work, whether demanding the services of Chicago engineers or not.

The contract for the sale of applicant's bonds provides that of the amount which applicant now desires to issue, bonds of the par value of \$75,000 will net 94 per cent of their par value and the remaining bonds will net 95 per cent of their par value.

I find that the purposes for which applicant desires to issue said bonds are not in whole or in part/chargeable to operating expenses or to income, and submit herewith the following form of order:

O R D E R.

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY having applied to the Railroad Commission of the State of California for the consent of the Commission to the issuance by said Company of bonds of the face value of \$204,000, said bonds to be payable on the first day of March, 1939, and to bear interest at 5 per cent per annum, payable semi-annually, and secured by a trust deed or mortgage upon all the property of the Company, and a public hearing having been duly held upon said application, and the Commission finding that the money to be procured by the issue of said bonds is necessary to and reasonably required by said Company for the acquisition of property, the construction, completion, extension and improvement of its facilities and the discharge and refunding of its obligations and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California hereby authorizes the issue by SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY of \$204,000, face value, of principal of bonds of said Company, bearing numbers 3426 to 3629, inclusive, maturing the first day of March, 1939, redeemable on March first, 1914, or on any interest date thereafter, at par, accrued interest and a premium of 5 per cent on the principal thereof, and to bear interest at 5 per cent per annum, payable semi-annually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the first day of March, 1909, made and executed by said San Diego Consolidated Gas and Electric Company to Harris Trust and Savings Bank and Los Angeles Trust Company, as trustees, upon the conditions following and not otherwise, to-wit:

1. San Diego Consolidated Gas and Electric Company shall sell said bonds hereby authorized so as to net the said Company not less than 94 per cent of the par value of \$75,000 of principal thereof, and not less than 95 per cent of the par value of the principal of the remainder thereof, besides interest accrued thereon.

2. The proceeds of the sale of said bonds shall be applied only to the following purpose, that is to say, for the discharge and lawful refunding of obligations of the Company heretofore incurred for the acquisition of property and the construction, completion, extension and improvement of its facilities, as specified in Schedule No.4 attached to the application herein.

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 hereby authorized to be issued, and on or before the 25th day of each month the Company shall make a verified report to the Commission, stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with the provisions of this Commission's General Order No.24, which, in so far as applicable, is made a part of this order.

4. San Diego Consolidated Gas and Electric Company shall file with this Commission a certified copy of the statement or certificate to be filed by it with the trustees under its said trust deed, on which statement or certificate it will receive from the trustees the bonds hereby authorized to be issued.

5. The authority hereby given to issue bonds shall apply only to bonds issued by said Company on or before the 30th day of June, 1913.

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 11th day of
February, 1913.

John M. Eschleman

Alfred G. ...

Max Thelen

Edwin O. Edgerton

Commissioners.