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ORIGINAL

Decision No. \_\_\_\_\_.

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
SAN DIEGO CONSOLIDATED GAS AND )  
ELECTRIC COMPANY for authority to )  
issue, sell and dispose of preferred )  
stock, bonds and notes. )

Application  
No. 3071.

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Chickering & Gregory and Sweet, Stearns & Forward  
by Frederick W. Stearns for applicant.

THESEBY, Commissioner.

O P I N I O N .

In this application as amended, SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY asks authority to issue \$345,500.00 par value of its 7 per cent. preferred stock, \$500,000.00 of its first mortgage 5 per cent. bonds due March 1, 1939 and \$400,000.00 face value of 2-year 6 per cent. notes. Applicant proposes to sell its preferred stock at not less than par. It proposes to sell its bonds at not less than 88 per cent. of their face value plus accrued interest or to pledge them at not less than 80 to secure the payment of \$400,000.00 2-year 6 per cent. notes which are to be sold at not less than 98 per cent. of their face value.

In Schedule 4 attached to the petition, applicant reports that during the six months ending June 30, 1917, its

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net capital expenditures amounted to \$346,075.10. In Schedule 5 attached to the petition, applicant reports that during the year ending July 1, 1918, it will be obliged to expend for capital purposes the sum of \$687,200.00. Because of the expenditures for the six months ending June 30, 1917, applicant in its original application asked authority to issue \$114,300.00 of its preferred stock and \$119,000.00 of its 5 per cent. bonds; while to finance the construction during the year ending July 1, 1918, it desired to issue \$231,200.00 of stock and \$373,000.00 of bonds.

On August 27, applicant filed its amended petition asking authority to issue \$400,000.00 face value of 2-year 6 per cent. notes and to secure the payment of the notes by pledging \$500,000.00 of its 5 per cent. bonds. The proceeds of the notes are to be used for the same purposes against which applicant originally intended to issue bonds. Arrangements have been made for the sale of the major portion of the notes.

The net capital expenditures by applicant for the six months ending June 30, 1917, exclusive of the cost of plants of the Oceanside Gas and Electric Company and Escondido Utilities Company, may be summarized as follows:

	<u>Net Expenditures</u>
<u>Gas Department:</u>	
Production Capital, . . . . .	\$11,560.25
Distribution Capital, . . . . .	34,033.79
Total Gas Department, . . . . .	<u>\$45,594.04</u>
<u>Electric Department:</u>	
Production Capital, . . . . .	\$22,255.70
Distribution Capital, . . . . .	184,650.33
Total Electric Department, . . . . .	<u>\$206,906.03</u>
<u>General Capital, . . . . .</u>	<u>26,662.89</u>
<u>Interest during Construction, . . . . .</u>	<u>1,746.86</u>
Total Construction, . . . . .	\$280,909.82
Net Cost of Oceanside and Escondido Plants, . . . . .	<u>65,165.28</u>
Total, . . . . .	\$346,075.10

The estimated expenditures for the year ending July 1, 1918, as reported in Schedule 5 attached to the petition, may be summarized as follows:

Gas Department:

Production, . . . . .	\$12,400.00
Transmission, . . . . .	121,100.00
Distribution, . . . . .	53,000.00
Total Gas Department, . . . . .	<u>\$186,500.00</u>

Electric Department:

Production, . . . . .	4,600.00
Transmission, . . . . .	285,000.00
Distribution, . . . . .	205,100.00
Total Electric Department, . . . . .	<u>\$494,700.00</u>

<u>General Capital, . . . . .</u>	<u>6,000.00</u>
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Grand Total, . . . . . \$687,200.00

As of June 30, 1917, applicant reports notes payable amounting to \$229,000.00, accounts payable \$93,248.43, amount due Standard Gas and Electric Company on open account \$70,146.87, and amount due H.M. Byllesby & Company on open account \$3,840.86.

Under its first mortgage, San Diego Consolidated Gas and Electric Company may issue bonds equal in amount to 75 per cent. of the actual and reasonable cash cost of permanent extensions, additions and betterments provided that its earnings from the operation of its plants and properties for the period of 12 consecutive months ending not more than 60 days prior to the application for the certification of bonds and after deducting from such earnings all operating expenses including taxes, insurance and customary expenditures for current repairs and current maintenance ordinarily chargeable to operating expenses, shall have been in each case equal to at least twice the total annual interest charge on all bonds outstanding together with the bonds for which application is made and any secured indebtedness, the lien or liens of which shall be prior to the lien of the first mortgage on any property acquired by the company subsequent to March 1, 1909.

The testimony in this proceeding shows that as of June 30, 1917, applicant under its first mortgage would have been permitted to issue \$119,000.00 of bonds. It is estimated that as of September 1 applicant is permitted to issue bonds in the amount of \$335,000.00. If applicant were to issue \$335,000.00 of bonds at this time and pledge them at 80, it could issue notes in the sum of \$268,000.00. The remaining \$132,000.00 of notes can be issued only if applicant deposits with the trustee the sum of \$165,000.00, thereby placing itself in a position to issue bonds in the amount of \$500,000.00. The issue of bonds in excess of \$335,000.00 may be taken care of by a supplemental order in this proceeding.

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 authority to issue stock, bonds and notes, and to pledge bonds as collateral to secure the payment of notes as set forth in the foregoing opinion, and a hearing having been held and it appearing that the money, property or labor to be procured by the issue of stock, bonds and notes are reasonably required for the purpose or purposes specified in the order and that 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, granted authority to issue \$345,500.00 par value of its 7 per cent. preferred stock, \$500,000.00 of its first mortgage 5 per cent. bonds due March 1, 1939, and \$400,000.00 face value of 2-year 6 per cent. notes.

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

1.-- The stock hereby authorized to be issued shall be sold by applicant for cash at not less than the par value thereof; the bonds at not less than 88 per cent. of their face value plus accrued interest, and the notes for not less than 98 per cent. of their face value plus accrued interest, provided that in lieu of selling the bonds applicant may pledge the same to secure the payment of the \$400,000.00 of 2-year notes hereby authorized to be issued, the bonds to be pledged in such amount so that the face value of the notes shall never be less than 80 per cent. of the face value of the bonds pledged as collateral to secure the payment thereof.

2.-- Of the bonds hereby authorized to be issued, applicant may pledge at this time bonds in the amount of \$335,000.00, the remaining \$165,000.00 may be pledged only after applicant has furnished the Commission with satisfactory evidence showing that it is authorized to issue said bonds under the terms and conditions of its first mortgage, dated March 1, 1909.

3.--The proceeds obtained from the issue of stock, notes and bonds shall be used by applicant for the following purposes:

"A".-- To pay the following notes:

P a y e e	Date	Due	%	Amount
A.W. Wohlford	:3/27/1917:	9/27/1917:	6	\$3,000.00
Southern Trust & Savings Bank, San Diego	:3/27/1917:	9/27/1917:	6	16,000.00
Bank of Commerce & Trust Co., San Diego	:4/21/1917:	10/21/1917:	6	40,000.00
First National Bank, San Diego	:5/17/1917:	11/17/1917:	5 1/2	30,000.00
Merchants National Bank, San Diego	:5/20/1917:	11/20/1917:	6	30,000.00
American National Bank, San Diego	:5/20/1917:	11/20/1917:	6	30,000.00
Mary M. Jackson, San Diego	:6/18/1917:	12/18/1917:	5 1/2	25,000.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	10,000.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	10,000.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	7,500.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	7,500.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	5,000.00
B.M. Frees, San Diego	:6/18/1917:	12/18/1917:	6	5,000.00
Total, . . . . .				\$229,000.00

"B".-- To pay such part of its current and open accounts payable as may represent capital expenditures, provided applicant has first furnished the Railroad Commission with a detailed statement of such accounts and obtained from the Railroad Commission a supplemental order authorizing the payment thereof.

"C".-- The remainder of the proceeds may be expended only for such purposes, as the Railroad Commission may hereafter authorize, by a supplemental order or orders in this proceeding.

4.- 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 bonds, notes and preferred stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales or the pledge of bonds of said bonds, notes and preferred stock during the preceding

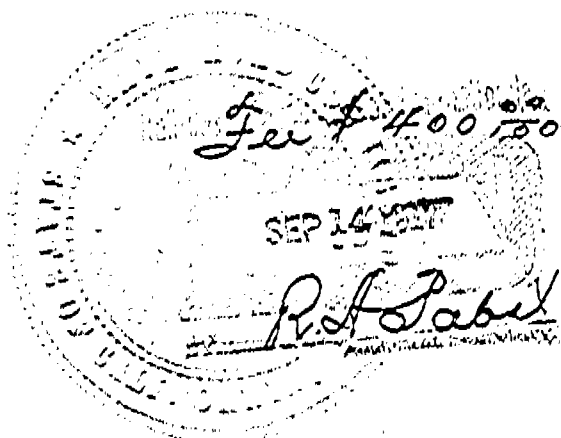
month, the terms and conditions of sale, <sup>or pledge</sup> the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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

6.-The authority hereby given to issue bonds, notes and preferred stock shall apply only to bonds, notes and preferred stock issued by San Diego Consolidated Gas and Electric Company on or before June 30, 1918.

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 8<sup>th</sup> day of September, 1917.



Max Thelen

Alex Gordon

Franck R. Derby

Commissioners.