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Decision No. _____

ORIGINAL

Decision No 5502

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, a corporation, for authority to issue and pledge bonds securing an issue of notes and to issue, sell and dispose of such notes.)

Application Number 3831.

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

LOVELAND, Commissioner.

O P I N I O N.

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, in this application as amended, asks authority to execute an agreement securing the payment of \$1,100,000.00 of 5-year collateral trust 6 per cent gold notes dated ^{July} ~~May~~ 1, 1918, and issue, for the purposes and subject to the conditions hereinafter indicated, \$652,800.00 of said notes.

Applicant's balance sheet, dated April 30, 1918,
shows the following:

ASSET ACCOUNTS:

Plant & Franchise,	\$1,942,131.44	
Organization,	22,262.65	
Patent Rights,	366.46	
Fixed Capital -Electrical Dept., ...	4,185,625.29	
Fixed Capital -Gas Department,	2,806,433.59	
Plant Purchased in lieu of Plant Constructed,	60,224.58	7,052,283.46
Securities of Other Corporations,		14,300.00
Other Current Assets,		2,050.00
Bonds in Treasury Pledged,		500,000.00
Cash,		139,014.19
Other Deposits,		150.00
Notes Receivable,		11,261.15
Accounts Receivable,		211,838.32
Material & Supplies,		261,556.55
Prepaid Expenses,		5,493.27
Unamortized Discount,		665,344.45
Stock,	292,721.00	
Bonds,	372,623.45	
Other Suspense,		133,487.11
<u>TOTAL ASSET ACCOUNTS,</u>	<u>\$10,961,539.05</u>	

LIABILITY ACCOUNTS:

Capital Stock:		
Preferred, 7. per cent,	533,700.00	
Common,	2,955,000.00	3,488,700.00
Bonds:		
1st Mortgage 5's, due March 1, 1939,	5,130,000.00	
Debenture 6's, due December 1, 1922,	356,000.00	5,486,000.00
Notes -6% Collateral Trust, due September 1, 1919,		400,000.00
Notes Payable,		380,000.00
Accounts Payable;		
System Corporations,	111,566.91	
Audited Vouchers & Wages Unpaid,	149,461.72	
Consumers' Deposits,	36,437.54	
Miscellaneous Accounts Payable,	641.76	298,107.93
Dividends Accrued,		27,738.25
Interest Accrued,		52,663.08
Taxes Accrued,		67,659.98
Reserve for Accrued Depreciation,		642,671.35
Corporate Surplus Unappropriated,		117,998.46
<u>TOTAL LIABILITY ACCOUNTS,</u>	<u>\$10,961,539.05</u>	

For the 2 years and 4 months ending April 30, 1918, applicant reports revenues and disbursements as follows:

I t e m	: 4 months : ending : April 30, : 1918	: 12 months : ending : December 31, : 1917	: 12 months : ending : December 31, : 1916
Electric Operations:			
Operating Revenues	\$ 364,753.67	\$ 926,668.93	\$ 930,713.05
Operating Expenses	205,877.00	507,331.14	484,422.44
Net Operating Revenue	158,886.67	419,337.79	446,290.61
Gas Operations:			
Operating Revenues	373,765.33	702,693.37	620,319.89
Operating Expenses	303,421.36	502,887.87	447,030.16
Net Operating Revenue	70,343.97	199,805.50	173,289.73
Total Net Operating Revenue	229,230.64	619,143.29	619,580.34
Non-Operating Revenue:			
Interest	-	-	430.17
Miscellaneous	-	1,419.45	241.90
Total	-	1,419.45	672.07
Gross Corporate Income	229,230.64	620,562.74	620,252.41
Deductions:			
Interest on Funded Debt	92,286.66	255,079.58	234,660.00
Other Interest	2,571.44	11,435.88	10,545.22
Amortization of Debt Discount	10,974.68	21,687.93	19,262.28
Miscellaneous	5,230.53	7,000.40	6,343.25
Total Deductions	111,063.31	295,203.89	270,810.75
Balance carried to Accumulated Surplus	118,167.33	325,358.85	349,441.65
Accumulated Surplus beginning of period	110,924.69	148,472.43	104,146.86
Miscellaneous Additions to Surplus	-	980.65	1,490.12
Accumulated Surplus plus Additions	229,092.02	474,811.93	455,078.63
Deductions:			
Common Stock Dividend	98,500.00	295,500.00	295,500.00
Preferred Stock Dividend	11,612.91	23,313.85	5,809.53
Miscellaneous	980.65	45,073.39	5,296.67
Total Deductions	111,093.56	363,887.24	306,606.20
Accumulated Surplus end of period:	117,998.46	110,924.69	148,472.43

The operating expenses include depreciation charges amounting to \$120,000.00 per annum.

Applicant has an authorized bond issue of \$6,000,000.00, of which \$4,630,000.00 have been sold and are now outstanding, \$500,000.00 have been pledged as collateral and \$870,000.00 are in its treasury.

Section three of Article One of the company's mortgage, dated March 1, 1909, and executed to secure the payment of \$6,000,000.00 of bonds, provides in general that bonds Number 1651 and upwards, (\$4,349,000.00) shall from time to time be certified by the trustee, to an amount or amounts in par value not exceeding in the aggregate 75 per cent of the actual and reasonable cash cost to the company of permanent extensions and additions of and to its plants, properties and equipment as the same existed on January 1, 1909, over and above the sum of \$200,000.00 which the company covenants has been, or will be, without unnecessary delay, expended for such extensions and additions; provided that none of said bonds shall be certified unless and until the earnings from the operation of the plants and properties, at the time owned by the company, for the period of twelve consecutive months ending not more than sixty days prior to the respective applications for the certification of bonds, after deducting from such earnings all operating expenses, including taxes, insurance and customary expenditures for current repairs and 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 for certification is made and any secured indebtedness, the lien, or liens, of which shall be prior to the lien of this mortgage on any property hereafter acquired by the company.

In Section One of Article Three of its mortgage, the company agrees to deposit with the trustee in a "depreciation and renewal fund" on the first day of June in each of the years 1910 to 1914 inclusive, a sum equal to 3 per cent, and on the first day of June in each of the years 1915 to 1938 inclusive, a sum equal to 5 per cent of the amount, in par value, of bonds outstanding on the first day of October next preceding each respective deposit. The amounts deposited with the trustee may be used by the company for renewals and replacements, or for new construction, or for the redemption of bonds. New construction financed through the "depreciation and renewal fund" cannot be capitalized by subsequent bond issue.

Through the issue of stocks and bonds heretofore authorized, applicant has been or will be able, it believes, to finance its capital expenditures to November 1, 1917, with the exception of \$8,053.48. In Schedules three and four, attached to the petition herein, applicant reports that from November 1, 1917 to April 30, 1918, it has incurred a net capital expenditure of \$237,210.47. Of the expenditures to April 30, 1918, \$183,666.40 has been financed through withdrawals from the "depreciation and renewal fund," leaving \$61,597.55 against which bonds may be issued. Because of these expenditures, applicant reports that under its deed of trust it can issue \$46,000.00 of bonds.

In Schedule Number five, attached to the petition herein, applicant estimates its capital expenditures from May 1, 1918 to May 1, 1920 at \$731,100 divided as follows:

<u>Department</u>	<u>Year Ending May 1, 1919</u>	<u>Year Ending May 1, 1920</u>	<u>Total</u>
Gas	\$139,400	\$116,400	\$255,800
Electric	223,450	242,850	466,300
General	4,500	4,500	9,000
Total	<u>\$367,350</u>	<u>\$363,750</u>	<u>\$731,100</u>

Mr. H.H. Jones, president and manager of San Diego Consolidated Gas and Electric Company, testified that the ship-building,

military and naval activities in and about San Diego and the agricultural development in territory served by the company, necessitates the enlargement of its plant and the extension of its facilities. Applicant has completed its transmission line to San Juan Capistrano and on May 21, 1918 began purchasing electrical energy from the Southern California Edison Company. The construction of this line, Mr. Jones believes, will enable applicant to reduce its electrical operating expenses by approximately \$60,000.00 a year and result in a material saving of fuel oil.

Of the \$731,100.00 of estimated expenditures for the two-year period ending May 1, 1920, Mr. Jones believes that \$371,100.00 will be financed through withdrawals from the "depreciation and renewal fund", leaving \$360,000.00 which may be used as a basis for the issue of bonds and which would permit the issue of \$270,000.00 of bonds. Adding the \$46,000.00 of bonds referred to above to the \$270,000.00, makes a total of \$316,000.00. These bonds applicant proposes to pledge at the rate of 125 per cent of bonds for each 100 per cent of notes issued. To finance in part the capital expenditures incurred to April 30, 1918, and those to be incurred prior to May 1, 1920, applicant would issue \$252,800.00 of its 5-year collateral trust 6 per cent gold notes.

Applicant also requests authority to issue and pledge \$500,000.00 of its first mortgage bonds to secure the payment of \$400,000.00 of its 5-year collateral trust 6 per cent gold notes to be issued from time to time for the purpose of paying or refunding \$400,000.00 of 2-year 6 per cent notes due September 1, 1919.

Applicant proposes to issue its 5-year collateral trust 6 per cent gold notes, dated July 1, 1918, under an agreement substantially in the same form as the agreement filed in this proceeding and marked Exhibit Number One. Under this agreement applicant would be permitted to issue not exceeding \$1,100,000.00 of notes, the payment of which would be secured by the pledging of \$1,370,000.00 of

its first mortgage bonds. The notes are callable at 102. Of the notes, \$35,800.00 are to be issued forthwith, \$400,000.00 are to be deposited with the trustee for the purpose of paying or refunding \$400,000.00 of 2-year 6 per cent notes due September 1, 1919 and now outstanding, while \$663,200.00 of notes may be issued from time to time for the purpose of paying in part for capital expenditures.

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 execute an agreement and to issue bonds and notes as indicated in the foregoing opinion, a hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for 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 execute an agreement substantially in the same form as the agreement filed in this proceeding and marked Exhibit Number One.

IT IS HEREBY FURTHER ORDERED that San Diego Consolidated Gas and Electric Company be, and it is hereby, granted authority to issue \$652,800.00 of 5-year collateral trust 6 per cent gold notes payable July 1, 1923 and to issue and pledge as security for the payment of said notes \$816,000.00 of its first mortgage 5 per cent 30-year gold bonds payable March 1, 1939.

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

- (1).-- Of the notes herein authorized, \$400,000.00 face value shall be deposited with the trustee under the agreement herein authorized to be executed for the purpose of paying or refunding \$400,000.00 of 2-year 6 per cent notes payable September 1, 1919.
- (2).-- The remainder of the notes \$252,800.00 face value shall be sold for not less than 95 per cent of their face value plus accrued interest.
- (3).-- The proceeds from the sale of \$36,800.00 of notes herein authorized to be issued and sold, shall be used by applicant for the purpose of paying floating indebtedness referred to in Schedule Number One attached to the petition herein.
- (4).-- The proceeds from the sale of \$216,000.00 of notes herein authorized to be issued shall be deposited in a special fund and expended only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders.
- (5).-- The approval herein given of the aforementioned agreement 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 agreement as to such other legal requirements to which said agreement may be subject.
- (6).-- 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 issue of the bonds and notes herein authorized, and on or before the twenty-fifth day of each month the company shall

make verified reports to the Railroad Commission in accordance with the Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

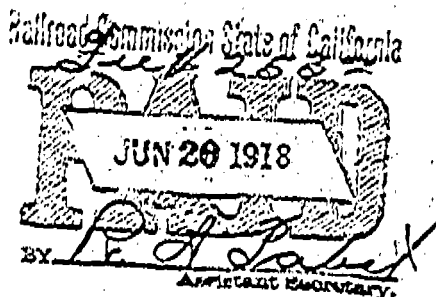
(7).-- Upon the payment or refunding of any of the notes herein authorized, a proper proportionate amount of the bonds herein authorized to be pledged, shall be returned to applicant's treasury, and thereafter issued only upon further order of the Railroad Commission.

(8).-- The authority herein granted shall not become effective until San Diego Consolidated Gas and Electric Company has paid the fee specified in the Public Utilities Act.

(9).-- The authority herein granted shall apply only to such bonds and notes as may be issued on or before September 30, 1919.

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 19th day of June, 1918.



Edwin O. Egan
H. B. ...
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Commissioners.