

ES

Decision No. 5675.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

* * *

In the Matter of the Application of the)	
SAN DIEGO CONSOLIDATED GAS AND ELECTRIC)	
COMPANY, a corporation, for authority to)	
issue and sell \$350,000 face value of)	<u>Application Number 3998.</u>
6 per cent debenture bonds and \$133,700)	
par value of preferred stock.)	

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

LOVELAND, Commissioner.

O P I N I O N.

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY asks authority to issue \$350,000 of its 6 per cent unsecured debenture bonds payable December 1, 1922, and \$133,700 of its 7 per cent preferred stock, or an equivalent amount face value of its debenture bonds should it be deemed more advantageous to issue such bonds instead of preferred stock.

For a statement showing applicant's assets, liabilities, revenues and expenses, reference is here made to the Railroad Commission's Decision Number 5502, dated June 19, 1918. In that decision, the Railroad Commission authorized applicant, subject to the conditions therein enumerated, to issue \$652,800 of 5-year collateral trust 6 per cent gold notes to refund \$400,000 of outstanding 2-year notes and finance in part capital expenditures which are to be incurred prior to May 1, 1920.

In the application now before the Commission, applicant asks authority to issue debenture bonds and preferred stock to finance

that part of its capital expenditures incurred or to be incurred prior to June 30, 1919 and to provide working capital against which no 5-year collateral trust 6 per cent gold notes secured by first mortgage bonds can be issued. Applicant reports in its petition and in schedules annexed thereto, that to June 30, 1918, it has incurred an expenditure of \$199,080.06 for capital purposes, against which no securities have been issued. For the year ending June 30, 1919, applicant estimates its capital expenditures at \$439,750 including \$94,400 for working capital. Of the \$439,750, applicant proposes to finance \$47,120 through the sale of 5-year collateral trust 6 per cent gold notes and \$150,000 from earnings representing depreciation charges and amounts set aside for the amortization of debt discount and expenses, leaving \$242,630 of estimated expenditures for the year ending June 30, 1919 to be financed through the sale of debentures and preferred stock.

Applicant reports that because of the increase in business, the increase in the cost of materials and supplies and the necessity of having at this time a larger stock of materials and supplies on hand than on November 3, 1916, at which time the Commission fixed applicant's gas and electric rates, it is necessary for it to increase its working capital by the sum of \$94,400, and thus increase its total working capital to the sum of \$300,000.

Mr. H.H. Jones, president of San Diego Consolidated Gas and Electric Company, testified that Southern Trust and Commerce Bank of San Diego has agreed to purchase \$350,000 face value of debenture bonds in approximately equal monthly installments, all to be bought, however, before June 30, 1919, at a market price to be agreed upon monthly less a 3 per cent commission. He is of the opinion that the bonds will be sold in excess of 88 per cent of their face value plus accrued interest. It occurs to me that the minimum price suggested by applicant in its petition is low and I suggest that the Commission authorize the issue of the debentures at not less than 93-3/4 per cent

of their face value permitting the company to pay a reasonable commission, such commission not to exceed the amount suggested by Mr. Jones. The debenture bonds in question will be issued under an agreement executed by San Diego Consolidated Gas and Electric Company on December 1, 1912 to the Continental and Commercial Trust and Savings Bank and Frank H. Jones of Chicago, as trustees.

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 debenture bonds and preferred stock, 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 issue \$350,000 face value of its 6 per cent debenture bonds payable December 1, 1922, and \$133,700 par value of its 7 per cent preferred stock, or an equivalent amount face value of its said debenture bonds should it be deemed more advantageous to issue such bonds instead of preferred stock.

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

- 1.-- The stock herein authorized to be issued shall be sold by applicant for not less than 95 per cent of its par value, the debenture bonds at not less than 93-3/4 per cent of their face value, the company being per-

mitted to pay a commission of not exceeding 3 per cent in connection with the sale of its debenture bonds.

2.--The proceeds obtained from the sale of the stock and debenture bonds herein authorized to be issued shall be used by applicant to finance in part the construction expenditures referred to in the petition herein and in schedules Number "3" and Number "4" attached to said petition, and to provide for not exceeding \$94,400 of working capital.

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 issue of the preferred stock and the debenture bonds 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.

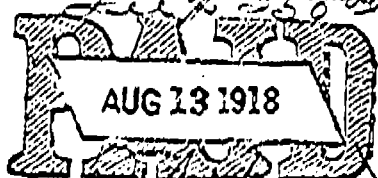
4.--The authority herein granted shall not become effective until San Diego Consolidated Gas and Electric Company has paid the fee specified in the Public Utilities Act.

5.--The authority herein granted shall apply only to such debenture bonds and stock as may be issued on or before June 10, 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 10th day of August, 1918.

Railroad Commission, State of California



BY [Signature]
Assistant Secretary.

[Signature]
[Signature]
[Signature]

Commissioners.