

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the application of
LOS ANGELES GAS AND ELECTRIC CORPORATION
for an order authorizing the issue and
sale of bonds, in the face value of
\$900,000.

Application No. 453.

Paul Overton for applicant.

THELEN, Commissioner.

O P I N I O N.

This is an application on the part of the Los Angeles Gas and Electric Corporation for authority to issue its first and refunding mortgage 5% thirty-year gold bonds, in the face value of \$900,000. The proceeds of these bonds are to be used partly to purchase the properties of the Valley Gas and Fuel Company and the California Coke and Gas Company, as will appear in greater detail in this Commission's opinion and order in Application No. 452, partly to reimburse applicant for moneys which it has expended from income within the last year for new construction and extensions, and partly to secure funds with which to make additional construction and extensions during the next year or so, as will appear in greater detail hereafter.

Los Angeles Gas and Electric Corporation was organized in the year 1909 for the purpose of purchasing and acquiring all the properties of the Los Angeles Gas and Electric Company and the Pasadena Consolidated Gas Company. These properties were acquired by deeds executed and delivered on August 1st, 1909. In payment for the properties of the Los Angeles Gas and Electric Company and of the Pasadena Consolidated Gas Company, applicant issued and delivered its capital stock to the amount of \$7,250,000, par value, and assumed bonded and floating indebtedness upon the properties acquired to the amount of \$4,320,301.06. From August 1st, 1909, to January 1st, 1913, applicant has made extensive additions to and extensions of its plants, properties and equipment in an

amount alleged by applicant to be the sum of \$4,806,969.41.
 Applicant claims that the original cost of its plants^{and} properties
 as of January 1st, 1913, is the sum of \$16,377,770.47.

Applicant has outstanding common stock of the par value
 of \$10,000,000 and bonds secured by mortgages on its property
 amounting to \$8,600,000. It is apparent that there is a consider-
 able margin between the value of the property and the amount of
 bonds outstanding.

Applicant's statement of earnings for the year 1912 is
 as follows:

Operating Revenue		\$4,284,809.44
Operating Expenses		<u>2,472,683.97</u>
Net Operating Revenue		1,812,125.47
Interest and Dividend Revenue	\$21,320.68	
Sinking and Other Reserve Fund Accretions	11,181.25	
Total Non-operating Revenue		<u>32,501.93</u>
Gross Corporate Income		1,844,627.40
Interest accrued on Funded Debt	396,405.57	
Other Interest	1,663.19	
Total Deductions from gross Income		<u>398,068.76</u>
Net Corporate Income		1,446,558.64
Balance for Year carried Forward to Credit of Profit and Loss		<u>1,446,558.64</u>

From the balance of \$1,446,558.64 carried forward to the
 credit of profit and loss should be subtracted the sum of \$687,000
 which was paid out as dividends on its issued capital stock during
 the year 1912 at an average rate of 7.2%, and also the depreciation
 which applicant's engineer estimates at \$721,000, being at the
 rate of about 4 $\frac{1}{2}$ %.

Applicant serves electric energy in the city of Los Angeles
 and in a small amount of unincorporated territory immediately con-
 tiguous thereto, at rates for lighting varying from 6 $\frac{1}{2}$ ¢ to 3¢ per
 kilowatt, depending upon the amount of electric energy used, and
 at rates for power varying from 6¢ to 1.2¢ per kilowatt. The
 corporation supplies gas in Los Angeles, Pasadena, Huntington Park,
 Eagle Rock, South Pasadena, Watts and adjoining territory, at a

uniform rate of 75¢ per thousand cubic feet.

I shall now consider the three purposes for which applicant desires to issue bonds:

1. The purchase of the property of the Valley Gas and Fuel Company and the California Coke and Gas Company.

This matter has already been fully disposed of in this Commission's opinion and order in Application No. 452, to which opinion reference is hereby made. I shall recommend an authorization to issue first and refunding mortgage 5% thirty-year gold bonds in the amount of \$87,500 for this purpose:

2. Reimbursement for moneys hitherto expended.

During the period from July 1, 1912, to December 31, 1912, applicant alleges that it expended the sum of \$528,133.92 for permanent extensions and additions not heretofore used as a basis for the issuance of bonds. The individual items appear in Exhibit "D-3" attached to the application, and have been checked over by this Commission's experts and found to be substantially correct. The items are as follows:

Conduit System	\$34,633.05
Electric Appliances	5,621.22 a
Electric Arc Lamps	93,000 a
Electric Meters	18,707.54
Electric Services	22,405.79
Electric Substations	2,278.99
Electric Works	99,555.55
Garage	828.52
Gas Arc Lamps	4,143.68 a
Gas Meters	47,885.73
Gas Services	44,726.39
Gas Works	107,411.98
Office Building	1,200.00 a
Poles and Wire	31,527.97
Real Estate	* 28,054.67
Regulators	5,862.63
Street Mains	90,279.47
Transformers	5,033.54

\$528,133.92.

* Including \$14,612.37
expended prior to July 1, 1912.

a- Deductions

Section 4 of Article I of trust indenture from Los Angeles Gas and Electric Corporation to Union Trust Company of San Francisco and Harris Trust and Savings Bank of Chicago, trustees, to secure an authorized issue of \$15,000,000 of first and refunding mortgage

5% thirty-year gold bonds, dated September 1, 1909, under which indenture applicant desires to issue the bonds for which application is now made, provides in Section 4 of Article I thereof, that the bonds remaining uncertified under the provisions of prior sections of said Article "shall from time to time be certified and delivered by the trustees, as aforesaid, to an amount or amounts in par value not exceeding in the aggregate 75% of the actual and reasonable cash expenditures made by the company for permanent extensions and additions of and to its plants, properties and equipment after the first day of September, 1909." Then follow provisos to the effect that bonds may be issued only when net earnings for the twelve months ending sixty days previous shall have been $1 \frac{3}{4}$ times the interest on all bonds plus $1 \frac{3}{4}$ times the interest on the bonds which it is proposed to issue, and that no bonds may be issued for real estate which shall not have been specifically mortgaged to the trustees, or for expenditures made out of insurance moneys received, or for expenditures made out of the proceeds from the sale of any part of the mortgaged property, or for expenditures made from any depreciation fund, or for expenditures previously made the basis for the certification of bonds thereunder. The trust indenture provides for a sinking fund in cash equal to 2% of the par value of the bonds annually outstanding. In lieu of cash, the company may deliver its par value outstanding bonds secured by the trust indenture.

Under the provisions of said trust indenture, applicant now desires authority to issue bonds of a face value amounting to 75% of said sum of \$528,133.92, amounting to \$396,000. It appears from applicant's vouchers that said sum of \$528,133.92 was expended from ^{income.} applicant's accounts and vouchers and the purposes for which the expenditures were made also appear, as provided in Section 52-b of the Public Utilities Act. I recommend that this portion of the application be granted.

3. New construction and extensions.

Applicant also attaches to its application its Exhibit "D-1", being a detailed statement of proposed expenditures

for the year 1913. A summary of this statement is as follows:

Gas Plants	\$97,405.00
Electric plant	71,936.00
Gas Distributing System	601,948.69
Electrical Distributing System	280,050.00
Compressed Air Equipment at Garage	305.00
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	\$1,051,644.69

As the issue of bonds of the face value of \$483,500 has already been authorized herein, and as there will be remaining from the issue as applied for only \$416,500, face value, of bonds, it is evident that it will be necessary for applicant hereafter to make arrangements to secure additional funds to make the extensions and improvements contemplated for the year 1913. The purposes specified in applicant's Exhibit "D-1" are in general proper purposes for capital expenditures, and I recommend that the remaining bonds under the proposed issue of \$900,000, being bonds of the face value of \$416,500, be authorized to issue and that the proceeds thereof be expended in so far as they will go on the plan for proposed expenditures for the year 1913.

Applicant heretofore, on the 3rd day of November, 1909, entered into a contract with E. H. Rollins & Sons and the Harris Trust and Savings Bank for the sale of its bonds. This contract is attached to the application as Exhibit "G". Under this agreement, the first \$250,000, face value, of bonds to be sold under this authorization will be sold at 94 1/8 and the balance at 94 5/8, together with accrued interest in each case.

I find that the purposes for which the proceeds of the bonds hereby authorized are to be expended are not in whole or in part reasonably chargeable to operating expenses or to income, and submit herewith the following form of order:

ORDER.

LOS ANGELES GAS AND ELECTRIC CORPORATION having applied to the Railroad Commission for the consent of the Commission to the issuance by said Company of bonds to the amount of nine hundred thousand (\$900,000) dollars, face value, said bonds to be payable

on the first day of September, 1939, and to bear interest at the rate of five (5%) per cent per annum, payable semi-annually, and secured by a trust indenture or mortgage upon all the property of the Company, and a public hearing having been held upon said application, and the Commission finding that the proceeds to be procured from the issue of said bonds are not in whole or in part reasonably chargeable to income or to operating expenses,

IT IS HEREBY ORDERED as follows:

1. Los Angeles Gas and Electric Corporation is hereby authorized to issue its bonds of the face value of nine hundred thousand (\$900,000) dollars, being bonds Nos. 8251 to 9150, both inclusive, maturing the first day of September, 1959, and to bear interest at the rate of five (5%) per cent per annum, payable semi-annually, under and in pursuance of the terms of the trust indenture or mortgage heretofore and on the first day of September, 1909, made and executed by said Los Angeles Gas and Electric Corporation to Union Trust Company of San Francisco and Harris Trust and Savings Bank of Chicago, as trustees, under the following express conditions and not otherwise, to-wit:

(1) Los Angeles Gas and Electric Corporation shall sell the bonds hereby authorized so as to net the said Company not less than ninety-four and one eighth ($94 \frac{1}{8}\%$) per cent of the par value of the principal thereof, besides interest accrued thereon, on the first two hundred and fifty thousand (\$250,000) dollars, face value, of the bonds so issued, and not less than ninety-four and five eighths ($94 \frac{5}{8}\%$) per cent of the face value of the principal thereof, besides interest accrued thereon, on the remaining bonds hereby authorized to be issued.

(2) The proceeds from the sale of said bonds shall be applied to the following purposes only, that is to say:

(a) For the acquisition of the real property and gas manufacturing or generating plant located thereon, belonging to California Coke and Gas Company and of the gas distributing system of Valley Gas and Fuel Company, as appears in greater detail in this Commission's opinion in Application

No.452, the proceeds from the sale of bonds not exceeding the face value of eighty seven thousand five hundred (\$87,500) dollars.

(b) For the reimbursement of moneys expended from income during the last year for the acquisition of property and the construction, completion, extension and improvement of its facilities, plant and distributing system, as specified in Exhibit "D-3" attached to the petition in this proceeding, the proceeds from the sale of bonds not exceeding the face value of three hundred and ninety-six thousand (\$396,000) dollars.

(c) For the acquisition of property, the construction, completion, extension and improvement of facilities and the improvement and maintenance of service for items specified in Exhibit "D-1" attached to the petition in this proceeding, the proceeds from bonds not exceeding the face value of four hundred and sixteen thousand five hundred (\$416,500) dollars.

(3) Los Angeles Gas and Electric Corporation 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, shall make verified reports to the Commission stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefor and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

(4) The payment of the fee specified in Section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

(5) The authority hereby given to issue bonds shall apply only to bonds issued by Los Angeles Gas and Electric Corporation on or before the first day of April, 1914.

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 April, 1913.

John M. Eschleman
H. B. ...
Max Thelen

Commissioners.

Railroad Commission State of California

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H. ...
BY Assistant Secretary.