

ORIGINAL

Decision No. 6373

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 authority to issue, sell and )  
 dispose of \$107,000.00 face value )  
 of its first mortgage 5 per cent )  
 gold bonds and \$274,200.00 par value )  
 of its preferred stock. )

Application No. 4488.

Sweet, Stearns and Forward and Chickering and Gregory,  
by A. L. Chickering, for applicant.

LOVELAND, Commissioner.

O P I N I O N

San Diego Consolidated Gas and Electric Company in its amended application, asks permission to issue and sell \$107,000.00 of its first mortgage 5 per cent bonds, due March 1, 1939, and \$274,200.00 par value of its 7 per cent preferred stock.

In Schedule No. "I", attached to the petition herein, applicant reports that on February 28, 1919, it had \$2,955,000.00 of common, \$718,500.00 of 7 per cent preferred stock outstanding.

In Schedule No. 1, applicant reports also the following indebtedness:-

First Mortgage interest bearing bonds .....	\$4,630,000.00
First Mortgage Bonds, pledged, non-interest bearing.....	688,000.00
Ten year 6 per cent debenture bonds, due December 1, 1922	839,000.00
Two year 6 per cent collateral trust gold notes, due September 1, 1919 .....	216,500.00
Five year collateral trust 6 per cent gold notes, due July 1, 1923 .....	<u>333,500.00</u>
Total .....	\$6,707,000.00
Less bonds pledged .....	<u>\$ 688,000.00</u>
Total interest bearing funded debt .....	\$6,019,000.00
Notes payable .....	\$ 74,000.00
Accounts payable .....	<u>269,486.73</u>
Grand Total .....	<u>\$6,362,486.73</u>

In revising applicant's gas rates, the Commission, in Decision Number 6281, dated April 23, 1919, used as a rate base \$3,387,664.00 and in revising applicant's electric rates a rate base of \$4,625,786.00, making a total of \$8,013,450.00.

In its petition applicant reports uncapitalized expenditures as of February 28, 1919, amounting to \$60,927.21. Upon checking the figures submitted by applicant in the petition herein and in Application Number 3998, it was discovered that in the preparation of this application there was omitted an item of \$51,003.00. The \$51,003.00 represents earnings invested in property against which no securities should be issued and was so reported in Application Number 3998. Upon having his attention called to the omission, H. H. Jones, President of San Diego Consolidated Gas and Electric Company in a letter of May 19, 1919, requested that applicant be permitted to modify its statement of uncapitalized expenditures accordingly and to amend its application reducing the amount of stock

applied for from \$325,200.00 to \$274,200.00.

In Schedule No. 5, applicant submits an estimate of its construction expenditures from February 28, 1919 to June 30, 1920. A summary of the schedule shows the following:-

<u>Department</u>	<u>Feb. 28, 1919</u> <u>to</u> <u>Dec. 31, 1919</u>	<u>First Six</u> <u>Months</u> <u>1920</u>	<u>Total To</u> <u>June 30,</u> <u>1920</u>
<u>A.-Gas Department:</u>			
Production Capital	\$51,000.00	\$27,600.00	\$78,600.00
Transmission Capital	34,600.00	30,500.00	65,100.00
Distribution Capital	<u>35,500.00</u>	<u>30,000.00</u>	<u>65,500.00</u>
Total Gas Department	\$121,100.00	\$88,100.00	\$209,200.00
<u>B.-Electric Department:</u>			
Production Capital	\$ 6,900.00	\$ 7,800.00	\$ 14,700.00
Transmission Capital	16,000.00	6,000.00	22,000.00
Distribution Capital	<u>87,000.00</u>	<u>59,200.00</u>	<u>146,200.00</u>
Total Electric Department	\$109,900.00	\$73,000.00	\$182,900.00
<u>C.-General Capital</u>	<u>\$ 14,200.00</u>	<u>\$25,500.00</u>	<u>\$ 39,700.00</u>
Total All Departments	<u>\$245,200.00</u>	<u>\$186,600.00</u>	<u>\$431,800.00</u>

The amount of stock and bonds which applicant asks permission to issue is in part based upon its estimated construction expenditures for extensions, additions and betterments to its plant on or before June 30, 1920. It is possible that applicant's actual construction expenditures up to June 30, 1920, may be less or they may even be in excess of the amount set forth in Schedule No. 5. While authority is herein granted to issue stock and bonds in an amount which should enable applicant to pay for the construction expenditures reported in this application, it is, of course, understood that the Commission is primarily interested in the installation of

the extensions, additions and betterments as and when necessary rather than the distribution of such construction over the period ending June 30, 1920.

Applicant asks permission to issue preferred stock for the purpose of increasing its working capital from \$300,000.00 to \$433,300.00. It alleges that it requires \$233,300.00 of cash working capital and \$200,000.00 to be invested in materials and supplies. The testimony shows that the Commission in its recent rate decision allowed applicant \$386,000.00 for working capital, an increase of \$86,000.00 over the amount allowed in a former decision. H. H. Jones testified that the company should, in addition to the \$386,000.00, be allowed some cash working capital for the purpose of purchasing construction materials and supplies.

The testimony of H. H. Jones is not persuasive under the facts of this case. We are here dealing with a utility which was a going-concern and on a dividend paying basis on March 23, 1912, the effective date of the Public Utilities Act. Presumably some stock or securities were issued prior to that date for the purpose of providing working capital. Since then the Commission has authorized the issue of stock, yielding applicant \$300,000.00 for working capital purposes. Moreover, in this application, applicant sets forth its estimated construction expenditures up to June 30, 1920 and asks permission to issue stock and bonds to pay for the same. The necessity for authorizing the issue of an additional amount of stock to purchase construction materials does not seem to be necessary at this time. The amount of stock which applicant may issue to increase its working capital will therefore be limited to \$86,000.00.

In its petition, applicant requests permission to sell its bonds at not less than 82, or on an approximate 6-5/8 per cent basis. None of the bonds of this company, since March 23, 1912, have been sold at so low a price. H. H. Jones does not look with favor upon the sale of these bonds at 82. Neither am I inclined to recommend their sale at that figure. It occurs to me that a company which reports that it is earning more than two and one-half

times its bond interest, which has regularly paid a 7 per cent dividend on its preferred stock and has paid 10 per cent dividends on its common stock during 1914, 1915, 1916 and 1917 and 9-6/10 per cent in 1918 should be able to sell its bonds which constitute a first lien on its properties on at least a 6 per cent basis or for not less than 88. If for any reason applicant is unable to sell the bonds at 88 or more, it may hereafter file a supplemental petition for permission to pledge them at such a ratio which may be approved by the Railroad Commission.

Applicant has since 1915 issued \$718,500.00 par value of its 7 per cent preferred stock. This stock has been sold at an average price of slightly more than par. The stock applied for herein applicant intends to issue at par but asks permission to pay a 5 per cent brokerage fee on all stock sold by brokers. No brokerage fee will be paid on stock sold by applicant's officers or employees.

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 permission to issue stock and bonds, a public 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, as herein authorized, 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 \$107,000.00 of its first mortgage 5 per cent bonds, due March 1, 1939 and \$226,900.00 par value of its 7 per cent preferred stock,

upon the following conditions and for the following purposes:-

1.-The stock herein authorized to be issued shall be sold by applicant for par, less a 5 per cent brokerage fee on such stock as may be sold by brokers.

2.-The bonds herein authorized to be issued shall be sold by applicant for not less than 88 per cent of their face value, plus accrued interest.

3.-Applicant may use \$86,000.00 of the proceeds, obtained from the sale of the stock herein authorized, to increase its working capital from \$300,000.00 to \$386,000.00. The remainder of the proceeds from the sale of the stock and the proceeds from the sale of the bonds herein authorized shall be used to pay the cost of constructing such of the improvements, betterments and extensions referred to in the petition herein and in the schedules attached thereto as is not paid through the sale of the 5-year 6 per cent notes, the issue of which was authorized by Decision Number 5502, dated June 19, 1918, it being understood that applicant may sell either its 5-year notes heretofore authorized or the stock and bonds herein authorized to pay for the construction of the improvements, extensions and betterments referred to in the petition herein and schedules attached thereto. Any proceeds from the sale of the stock and bonds herein authorized not used to pay for said improvements, extensions and betterments shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

4.-Applicant shall file with the Railroad Commission a copy of its monthly construction expenditures or statement, such statement to be similar in form as that prepared for its officers or employees.

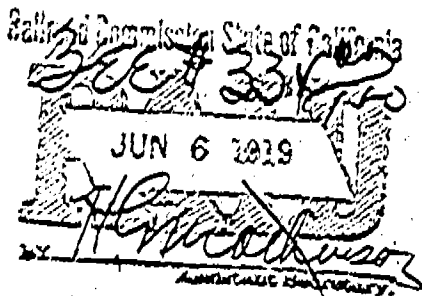
5.-San Diego Consolidated Gas and Electric Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this Order.

6.-The authority herein granted shall not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

7.-The authority herein granted shall apply only to such bonds and such stock as may be issued on or before June 1, 1920.

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 3<sup>d</sup> day of June 1919.



Edwin O. Edgerton  
H. S. Loveland  
H. O. Bunnell  
Irving Martin

Commissioners.