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ORIGINAL

Decision No. 7505-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
 LOS ANGELES GAS AND ELECTRIC CORPORATION) Application No. 5624.
 for an order authorizing the issue and)
 sale of bonds in the amount of)
 \$1,500,000.00.

 Paul Overton, for applicant.

EDGERTON, Commissioner.

OPINION.

LOS ANGELES GAS AND ELECTRIC CORPORATION asks permission to create an additional authorized bonded indebtedness of \$3,000,000.00 to be represented by general mortgage and collateral trust 4-year 7 per cent bonds payable April 1, 1924; to issue \$1,000,000.00 of said bonds in accordance with the provisions of the agreement with E.H. Rollins and Sons, a copy of which agreement is attached to the petition and marked Exhibit "D"; to issue pending delivery of the \$1,000,000.00 of bonds \$1,000,000.00 of temporary certificates; to issue and deposit as collateral to secure the payment of the \$1,000,000.00 of temporary certificates and bonds exchanged therefor, \$1,500,000.00 of its first and refunding mortgage 5 per cent bonds due September 1, 1939, and use the proceeds obtained from the sale of the bonds to reimburse its treasury. Applicant also asks the Commission to approve the agreement between it and E.H. Rollins and Sons covering the sale of the \$1,000,000.00 of bonds.

Applicant reports \$10,000,000.00 of common stock and

\$8,469,000.00 of bonds outstanding. Its indebtedness, other than the outstanding bonds, consists only of current bills. In Exhibit "A", applicant reports assets and liabilities as of April 1, 1920 as follows:

Asset Accounts:

Fixed Capital,	\$24,119,083.63
Electric,	\$6,466,128.87
Gas,	<u>17,652,954.76</u>
Cash and Deposits,	81,616.56
Notes Receivable,	50,290.00
Accounts Receivable,	766,928.39
Interest and Dividends Receivable,	7,306.35
Investments,	310,025.00
Materials and Supplies,	676,406.28
Sinking Funds,	819,810.19
Prepaid Expenses,	4,778.03
Unamortized Bond Discount and Expense,	45,458.08
Other Suspense,	<u>5,168.56</u>
<u>Total Asset Accounts,</u>	<u>\$26,886,871.07</u>

Liability Accounts:

Capital Stock,	\$10,000,000.00
Funded Debt,	8,469,000.00
Accounts Payable,	534,586.33
Interest Accrued,	51,979.17
Taxes Accrued,	297,149.83
Reserve for Accrued Depreciation,	6,375,456.90
Other Reserves,	1,424.50
Income invested since December 31, 1912 in Fixed Capital,	768,000.00
A.-Temporary investment of Surplus in Fixed Capital, \$500,000.00	
B.-Permanent Investment of Surplus in Fixed Capital, <u>268,000.00</u>	
Corporate Surplus Unappropriated,	<u>389,274.34</u>
<u>Total Liability Accounts,</u>	<u>\$26,886,871.07</u>

Applicant's first and refunding mortgage provides only for the issue of 5 per cent bonds, and it believes that it is to its interest to provide for a short term bond issue rather than sell its 5 per cent bonds due September 1, 1939 at the prevailing price for such bonds. Applicant is therefore taking the necessary steps to provide for an additional bonded debt of \$3,000,000.00 to be represented by general mortgage and collateral trust 4-year 7 per cent bonds due April 1, 1924. E.H. Rollins and Sons have agreed to purchase \$500,000.00 of the bonds immediately and have an option, which may be

exercised before October 15, 1920, on \$500,000.00 of additional bonds. Because of the time required to arrange the necessary details for the legal authorization and issuance of the 7 per cent bonds and the execution of the general mortgage or deed of trust, applicant asks permission to issue interim certificates to be later exchanged for bonds.

In Exhibit "C", attached to the petition, applicant reports that from January 1, 1917 to March 31, 1920, it expended for permanent extensions and additions a net amount of \$2,030,145.77. Of this amount, applicant intends to pay \$500,000.00 out of its surplus and ask the trustee to certify against such expenditures \$1,500,000.00 of bonds, leaving \$530,145.77 of the expenditures as a basis for future bond issues. The record shows that applicant has issued no stock or bonds against the above expenditures. The \$1,500,000.00 of bonds which applicant now asks permission to issue will be deposited by it with the Union Trust Company of San Francisco, trustee, as security for the payment of the \$1,000,000.00 of interim certificates and 4-year bonds to be exchanged therefor.

Although applicant asks permission to use the proceeds obtained from the sale of interim certificates or 4-year bonds to reimburse its treasury, the testimony shows that all of such proceeds will be used by applicant to pay in part for permanent extensions, additions and betterments to its plant. Applicant estimates its expenditures for permanent extensions, additions and betterments to its plant during 1920 at \$1,541,260.00.

A final order covering the issue of the 4-year bonds and execution of the general mortgage or deed of trust cannot be made until there has been filed with the Commission a copy of the proposed mortgage or deed of trust and its execution authorized by the Railroad Commission.

I herewith submit the following form of Order.

O R D E R.

LOS ANGELES GAS AND ELECTRIC CORPORATION having applied to the Railroad Commission for permission to create an additional bonded debt to be represented by general mortgage and collateral trust 4-year 7 per cent bonds and secured by a general mortgage or deed of trust and the deposit of first and refunding mortgage bonds, and issue and sell \$1,000,000.00 of 4-year bonds, a public hearing having been held and the Railroad 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 this 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 LOS ANGELES GAS AND ELECTRIC CORPORATION be, and it is hereby, authorized to create an additional bonded debt to be represented by general mortgage and collateral trust 4-year 7 per cent bonds due April 1, ~~1936~~¹⁹³⁷, provided that none of such *HMM* bonds be issued until the Railroad Commission has by supplemental order authorized the execution of the general mortgage or deed of trust under which such bonds will be issued.

IT IS HEREBY FURTHER ORDERED, that after having obtained authority to execute said general mortgage or deed of trust LOS ANGELES GAS AND ELECTRIC CORPORATION may issue \$1,000,000.00 of its general mortgage and collateral trust 4-year 7 per cent bonds and pending such issue may issue \$1,000,000 of interim certificates, such bonds and interim certificates to be issued pursuant to the terms of the agreement with E.H. Rollins and Sons, a copy of which agreement is attached to the petition herein and marked Exhibit "D".

IT IS HEREBY FURTHER ORDERED, that LOS ANGELES GAS AND ELECTRIC CORPORATION be, and it is hereby, authorized to issue and deposit as collateral security for the payment of the \$1,000,000.00 of interim certificates, or the \$1,000,000.00 of bonds exchanged therefore,

\$1,500,000.00 of its first and refunding mortgage 5 per cent bonds due September 1, 1939, provided that as interim certificates, or bonds exchanged therefore, are being paid, a proper proportion of first and refunding bonds be returned to applicant's treasury and thereafter issued only as authorized by the Railroad Commission.

The authority herein granted is subject to the further conditions as follows:

1.---The interim certificates, or the 4-year bonds, herein authorized to be issued, shall be sold by applicant, for cash, at not less than 95 per cent of their face value.

2.---The proceeds obtained from the sale of the interim certificates or 4-year bonds, may be used by applicant to reimburse its treasury because of expenditures made out of income and referred to in Exhibit "C" attached to the petition herein, provided that after such reimbursement applicant will use the proceeds to pay in part for the construction of permanent extensions, additions and betterments to its plants.

3.---Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the interim certificates or 4-year bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this Order.

4.---The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5.--The authority herein granted will apply only to such interim certificates and bonds as may be issued and sold on or before December 31, 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 30th day of April, 1920.

Fee \$1250
MAY 1 1920
H. Mathison
BY: _____
Secretary

Edwin O. Edgerton
H. D. Leonard
Stanley W. Hill
H. B. Brundage
Irving Mattie
Commissioners.