

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

---000---

In the Matter of the Application
of SAN DIEGO CONSOLIDATED GAS AND
ELECTRIC COMPANY, a corporation,
for an order authorizing the
issuance of bonds of the face value
of \$639,000.

Application No. 590.

Decision No. 761
ORIGINAL

Frederic W. Stearns for applicant.

THEBLEN, Commissioner.

O P I N I O N

This is an application on the part of the San Diego Consolidated Gas and Electric Company for authority to issue bonds of the face value of \$180,000 to reimburse the Company for capital expenditures heretofore made, and bonds of the face value of \$459,000 for the construction, completion and extension of its facilities, as will hereinafter appear in greater detail.

Applicant supplies the city of San Diego and surrounding territory as far south as Tia Juana, as far east as Foster and as far north as Del Mar with gas and electricity and is the only company in the field. For general statements concerning this Company's financial condition see this Commission's decisions on Application No. 192 (Decision No. 210), Application No. 344 (Decision No. 491) and Application No. 378 (Decision No. 453).

Applicant alleges that between November 30, 1912 and April 30, 1913, it expended in the construction, extension and improvement of its facilities the sum of \$346,124.05. Under the provisions of Article III of its trust deed or mortgage to Harris Trust and Savings Bank and Los Angeles Trust Company (now known as Los Angeles Trust and Savings Bank) applicant is under the obligation of depositing with said Harris Trust and Savings Bank on the first day of June of each of the years 1910 to 1914, inclusive, in a depreciation and renewal fund, a sum equal to 3% of its bonds outstanding on the first day of October next preceding the making of each such deposit. This money may thereafter be expended for permanent improvements. On

June first, 1913, applicant deposited with said trustee under said provision, the sum of \$102,750.00 against which bonds cannot issue. Under said deed of trust petitioner is not entitled to issue bonds in excess of 75% of said sum of \$346,124.05, after deducting therefrom said sum of \$102,750.00. The total amount of bonds which petitioner desires to issue on account of said expenditures heretofore made is accordingly 75% of the sum of \$243,374.05, being bonds of the face value of \$180,000.00. The expenditures which have heretofore been made by applicant between November 30, 1912 and April 30, 1913, and against which applicant desires authority to issue said bonds of the face value of \$180,000, will be set forth in greater detail in the order in this proceeding.

Under date of January 29, 1909, the Harris Trust and Savings Bank was granted an option to purchase such bonds as the applicant might thereafter issue at certain prices ranging from 91 and interest to 95 and interest. Enough bonds have now been issued so that if the Harris Trust and Savings Bank exercises its option it would be required to pay for these bonds 95 and interest. It appears, however, due to the uncertain condition of the financial market, that the Harris Trust and Savings Bank will probably not exercise its option and that applicant will either be under the necessity of selling all the bonds elsewhere or of pledging them. Applicant states that it hopes to be able either to sell the bonds for between 85 and 90 or to pledge them as collateral security for money borrowed on terms of not to exceed \$1.00 of bonds for 85% of money borrowed. Applicant asked leave at the hearing to amend its application so as to petition for authority to pledge these bonds, if necessary, on said terms, which permission was granted.

I find that the money to be procured from the proceeds of said issue of bonds is reasonably required to reimburse applicant for moneys which it has heretofore expended on capital account and that the purposes for which the money is to be spent are not in whole or in part reasonably chargeable to operating expenses or to income.

Referring now to that portion of the application which affects the issue of bonds of the face value of \$459,000, applicant submits a statement of estimated expenditures for construction, completion, extension and improvement of facilities from May 1, 1913, to December 1, 1913, which statement is attached to the application and marked "Schedule No. 4." It appeared at the hearing that this statement is in certain respects erroneous. Applicant accordingly asked for and was granted permission to file a revised estimate, which has now been filed and which is marked "Schedule Number Four. Revised June 21, 1913." This revised estimate may be substituted for Schedule Number Four attached to the application. The revised estimate shows the expenditures which applicant estimates will be necessary to be made from May 1, 1913 to December 1, 1913, in the territory served by applicant. The list of expenditures will be set forth in the order. It appears that the business of applicant is growing tremendously. For the year 1912, applicant increased its consumers of electric energy over the year 1911 by 4401 consumers, or 45%. During the same period it increased its consumers of gas by a percentage at least as large. Applicant estimates an increase of 30% in its customers, both for electricity and gas, for the year 1913. The population of San Diego and vicinity is increasing very rapidly and applicant's resources are taxed to keep up with the growth.

Applicant estimates that the sum of \$612,487.09 will be necessary for capital expenditures between May 1st and December 31st, 1913, and asks for authority to issue bonds against 75% of this sum, amounting to \$459,000.00, par value, of bonds.

I find that the money to be procured from the issue of said bonds will reasonably be required for the capital expenditures of applicant during said period and that the purposes specified by applicant are not in whole or in part reasonably chargeable to operating expenses or to income. Applicant may hereafter from time to time submit a statement showing expenditures which it has made for capital purposes under the provisions of the order herein,

together with the amount of bonds which it is desired to issue thereon, not to exceed 75% thereof, and a statement of the terms at which applicant believes that it can dispose of said bonds. The Commission will thereupon from time to time issue such supplemental orders as it may believe to be wise in the premises.

As applicant could give no intimation of the price which it might expect to secure from the ~~xxxx~~ sale of said \$459,000.00, par value, of bonds, this information shall be furnished by applicant from time to time as applicant asks for the authorization of bonds covered by this application, and no sale price for these bonds will be specified in the order.

The Commission has heretofore in several of its decisions questioned the charge of 7½% for engineering credited to E. M. Byllesby and Company, the owners of the property, on all construction work, whether demanding the services of Chicago engineers or not, and the Commission herewith repeats its doubts concerning this item but deems it unnecessary to reach a final conclusion therein at the present time, for the reason that this is not a rate fixing inquiry and that sufficient margin still exists between the value of the property and the amount of bonds outstanding, so as to make a determination at this time unnecessary.

Applicant's rates for electricity are 10¢ per K.W.H. for lighting, 10¢ to 3¢ per K.W.H. for commercial purposes and 8¢ to 1½¢ per K.W.H. for power, with discounts of 10% for prompt payment. Its rate for gas throughout its entire territory is \$1.10 per 1000 cubic feet, less a discount of 10% for prompt payment. Upon applicant's attention being drawn to these rates at the hearing, applicant stated that it now had under consideration a revision of said rates, but did not desire to be placed in the position at the present time of making any promises in connection therewith.

Applicant's profit and loss statement for the year ending December 31, 1912, is as follows:

Gross earnings.....	\$1,019,470.84	
Operating expenses.....	507,703.83	
		<hr/>
Net earnings.....	511,767.01	
Bond interest.....	\$159,002.82	
General interest.....	6,136.78	
Depreciation.....	84,000.00	
Bond discount.....	10,170.00	
Reorganization.....	3,000.00	
		<hr/>
		262,309.60
		<hr/>
		\$249,457.41
Preferred stock dividends.....	\$ 28,690.40	
Common stock dividends.....	159,635.00	
		<hr/>
		\$188,325.40
Surplus for year ending December 31, 1912,		61,132.01

I recommend that the application be granted and submit the following form of order:

ORDER

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for the consent of the Commission to the issuance by said Company of bonds of the face value of \$639,000, said bonds to be payable on the 1st day of March, 1939, and to bear interest at the rate of five (5%) per cent per annum, payable semi-annually, and secured by a trust deed 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 moneys to be procured by the issue of said bonds are necessary to and reasonably required by said Company for the acquisition of property, the construction, completion, extension and improvement of its facilities and the discharge and refunding of its obligations, and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California hereby authorizes the issue by San Diego Consolidated Gas and Electric Company of six hundred and thirty-nine thousand (\$639,000) dollars, face value, of principal of bonds of

said Company, bearing numbers 3630 to 4268, inclusive, maturing the first day of March, 1939, redeemable on March 1, 1914, or on any interest date thereafter, at par, accrued interest and a premium of five (5%) per cent on the principal thereof, and to bear interest at five (5%) per cent per annum, payable semi-annually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the 1st day of March, 1909, made and executed by said San Diego Consolidated Gas and Electric Company to Harris Trust and Savings Bank and Los Angeles Trust Company, now known as Los Angeles Trust and Savings Bank, as trustees, upon the conditions following and not otherwise, to-wit:

1. As to bonds of the face value of one hundred and eighty thousand (\$180,000) dollars of the issue hereby authorized, being bonds numbers 3630 to 3809, inclusive, San Diego Consolidated Gas and Electric Company shall sell said bonds so as to net said Company not less than eighty-five (85%) per cent of the par value of the principal, besides interest accrued thereon, or, as an alternative to the sale thereof, said San Diego Consolidated Gas and Electric Company shall have the right to pledge said bonds as security for the purposes hereinafter specified, on the basis that not in excess one (\$1.00) dollar, face value, of bonds shall be pledged to secure a loan of eighty-five (85%) cents.

(a) The proceeds from the sale or pledge of said bonds of the face value of one hundred and eighty thousand (\$180,000) dollars shall be applied only to the following purpose, that is to say, for the discharge and lawful refunding of obligations of the Company heretofore incurred for the acquisition of property and the construction, completion, extension and improvement of its facilities in the total sum of three hundred forty-six thousand one hundred twenty-four & 5/100 (\$346,124.05) dollars, as appears from Schedule No. 3 annexed to the application in this proceeding, and showing construction expenditures from November 30, 1912 to January 1, 1913, and from January 1, 1913 to April 30, 1913.

2. As to bonds of the face value of four hundred and fifty-nine thousand (\$459,000) dollars of said issue, being bonds numbers 3810 to 4268, inclusive, San Diego Consolidated Gas and Electric Company is directed to file with this Commission from time to time whenever it may desire to issue a portion of said bonds, verified statements showing the amount of money which has been expended by said Company subsequent to April 30, 1913, for the acquisition of property, the construction, completion, extension or improvement of its facilities, the improvement or maintenance of its service or the discharge or lawful refunding of its obligations for permanent construction work of the character specified in Revised Schedule No. 4, attached to said application, a summary of the expenditures designated in said Revised Schedule being as follows:

(1) Steam power plant equipment.....	\$ 64,500.00
(2) Electric distribution system.....	164,344.39
(3) Gas plant, buildings and structures.....	10,989.00
(4) Gas generators, balance.....	29,940.24
(5) Purification appliances.....	22,667.79
(6) Water gas sets and accessories.....	7,000.00
(7) Accessory equipment at works.....	35,513.48
(8) Gas distribution.....	170,235.40
(9) Gas services.....	58,085.60
(10) Gas Meters.....	21,821.61
(11) Miscellaneous distribution equipment.....	10,273.26
(12) General office equipment.....	828.83
(13) General shop equipment.....	4,917.12
(14) Contingencies.....	<u>11,420.37</u>
	\$612,487.09

Upon the presentation of such verified statements, together with the price at which applicant expects to be able to sell said bonds, the Commission will from time to time make supplemental orders authorizing the issue of bonds of a face value not to exceed seventy-five (75%) per cent of the moneys properly expended.

by applicant for such capital expenditures and designating the minimum price at which said bonds may be sold.

(a) The proceeds from the sale of ~~xx~~ said bonds shall be applied only to the purposes to be specified in said supplemental orders, which purposes shall be confined to the purposes designated in said Revised Schedule No. 4.

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 sale of the bonds hereby authorized to be issued, and on or before the 25th day of each month the Company shall make a verified report to the Commission, stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. San Diego Consolidated Gas and Electric Company shall file with this Commission certified copies of the statements or certificates to be filed by it with the trustees under its said trust deed, on which statements or certificates it expects to receive from the trustees the bonds hereby authorized to be issued.

5. This order shall not become effective until the fee specified in Section 57 of the Public Utilities Act has been paid.

6. The authority hereby given to issue bonds shall apply only to bonds issued by said Company on or before the 30th day of June, 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 30th day of June,

1913.
Railroad Commission State of California

Fee \$459.00

JUL 2 1913

H. G. Richardson
Assistant Secretary

John W. Eastman
H. D. Ireland
Edwin C. Edgerton