

Decision No. 789

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Decision No. 789

ORIGINAL

In the matter of the application of SANTA BARBARA GAS AND ELECTRIC COMPANY for an order authorizing it to issue bonds in the amount of \$100,000.00 to be secured by trust indenture to Los Angeles Trust and Savings Bank, and for authority to hypothecate any or all of said bonds as collateral security for loans.

Application No. 627.

H. E. Trowbridge for applicant.

EDGERTON, Commissioner:

O P I N I O N

This is an application by Santa Barbara Gas and Electric Company for an order authorizing the issue and sale or hypothecation of \$100,000.00 face value of bonds bearing interest at the rate of six per cent per annum due July 1, 1941.

Applicant is engaged in the business of generating and distributing electric energy and gas for lighting, heating and power purposes within the city of Santa Barbara and territory adjacent thereto.

The condition of the capitalization is as follows:

STOCK

	Authorized	Issued
Preferred.....	\$500,000.00	\$400,000.00
Common.....	500,000.00	400,900.00

BONDS

Authorized.....	\$1,000,000.00
Issued.....	664,000.00

The trust deed under which proposed issue of bonds must be made, provides that there may be issued in face value of bonds 75 per cent of the actual and reasonable cash cost to the company of permanent extensions and additions to its plant. Under this provision there must be added to the plant of applicant \$133,000.00 of property before \$100,000.00 of bonds can be issued.

Applicant presents a physical valuation of its gas and electric properties as of May 31, 1913, made by J. G. White Company and Bion J. Arnold Company, of \$914,071.00. While it cannot at this time be determined that this is the true present value of applicant's plant, nevertheless, with the addition to plant value to be made from the proceeds of the bonds herein asked to be authorized, it is evident that there will be a margin of plant value over outstanding bonded indebtedness.

The additions to be made by applicant with the proceeds from the sale of these bonds will very much increase its earning capacity.

Applicant shows a net operating revenue for the fiscal year ending June 30, 1912, of \$65,893.16, hence, even if no additional earnings are made, the increased fixed charge resulting from the issuance of the bonds herein asked to be authorized, can easily be paid out of earnings.

It is proposed to sell these bonds at not less than 95 per cent of their face value or to pledge them for loans on the basis of not less than 80 per cent of money received to face of bonds, and the proceeds are to be used for the purpose of acquiring property and for the construction, completion and extension of its facilities and for the discharge or refunding of its obligations incurred for the aforesaid purposes.

The sum of \$863.90 for which applicant asks reimbursement out of the proceeds of these bonds, represents an expenditure for additions made to plant out of income.

It is evident that applicant has a prosperous and growing

business and that the additions to plant and facilities to be made from the proceeds herein asked to be authorized are very much needed to provide service for consumers in the locality which it serves, and that such additions and betterments will add very considerably to the income of applicant.

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

ORDER.

Application having been made to the Railroad Commission of the State of California by Santa Barbara Gas and Electric Company for an order authorizing the issue by said company of one hundred thousand dollars (\$100,000.00) face value of bonds bearing interest at the rate of six per cent (6%) per annum, said bonds to be payable July 1, 1941, and for permission to sell said bonds at not less than ninety-five per cent (95%) of the face value thereof or to pledge said bonds as security for loans on a basis of not less than eighty per cent (80%) of money received to the face value of bonds pledged;

And a hearing having been duly held, and it appearing to the Commission that the money to be secured by the issue of said bonds is necessary and reasonably required by said company for the construction, completion, extension and improvement of its facilities and for the discharge or refunding of its obligations incurred for such purposes, and that the purposes for which the sale of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or income;

IT IS HEREBY ORDERED That the Railroad Commission of the State of California does hereby authorize the issue by Santa Barbara Gas and Electric Company of \$100,000.00 face value of bonds bearing interest at the rate of six per cent (6%) per annum, due July 1, 1941.

Said bonds shall be issued under and in pursuance of the terms of a trust indenture dated July 1, 1911, made by Santa

Barbara Gas and Electric Company to Los Angeles Trust and Savings Bank, copy of which said trust indenture is on file with this Commission, said bonds to be issued on the following terms and conditions and not otherwise:

- (1) Santa Barbara Gas and Electric Company shall sell the bonds hereby authorized so as to net said company not less than ninety-five per cent (95%) of the face value thereof plus accrued interest at the date of their delivery to the purchaser; or
- (2) Said company may hypothecate or pledge said bonds as security for the payment of loans, provided that such loans shall be made for a period of not to exceed one year, and there shall be paid for said loans not to exceed seven per cent (7%) per annum, and said bonds shall be pledged or hypothecated on a basis of not less than eighty per cent (80%) of money received on such loan to face of bonds pledged therefor.
- (3) The proceeds from the sale or pledge of said bonds shall be used for the following purposes only:

For reimbursement of treasury for moneys paid out of income for net additions to plant, property and equipment for the period June 1, 1912 to May 31, 1913. \$ 863.90

Estimated expenditures at gas plant—
 Installation of new gas generator..... \$3,700.00
 Less -- original value of old gas generator to be supplanted..... 1,700.00 \$2,000.00

Note:—Old gas generator to be re-modeled into a scrubber.

Installation of new purifying apparatus for new generator..... 1,800.00
 Installation 1-600 Gal. per minute pump motors..... 2,600.00
 Miscellaneous additions to gas plant as need may develop..... 1,500.00

\$ 7,900.00

Carried forward- - - - \$ 8,763.90

Amount brought forward..... \$8,763.90

ESTIMATED EXPENDITURES AT STEAM PLANT:

1 - 1000 K.W. Turbo generator with direct connected exciter including freight, cartage and erection.....	\$15,335.00
3 - 330 H.P. Stirling boilers erected complete.....	21,800.00
1 - 4000 sq. ft. surface condenser with ro- tative dry vacuum pump.....	7,100.00
2 - Centrifugal hot well pumps.....	800.00
2 - " " feed pumps.....	3,000.00
1 - 1800 H.P. feed water heater.....	1,200.00
Fuel oil system consisting of heater and two pumps.....	350.00
Instruments.....	1,900.00
Piping.....	6,000.00
2 - Steel stacks.....	1,800.00
Switchboard and wiring for generator.....	1,500.00
1 - 25 ton electric crane erected.....	4,130.00
Crane Runway.....	700.00
Basement and foundations.....	2,950.00
Reconstruction of 16" discharge line.....	500.00
Labor erecting machinery and dismantling boilers.....	1,650.00
Engineering and Contingencies.....	10,000.00
T o t a l	80,715.00

New Construction arising out of development of business and additions of new consumers in- cluding extensions of distributing system, new services, meters, transformers, regulators, etc., both gas and electric..... 44,021.10

\$133,500.00

- (4) Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said bonds hereby authorized to be issued, and on or before the twenty- fifth day of each month the company shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

(5) This order shall not become effective until the fee required by 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 first day of August, 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 12th day of July, 1913.

John W. Washburn

Max Thelen

Edwin O. Edgerton

Commissioners.

Fee App 687 \$50.00
JUL 17 1913
BY Charles R. Smith Secretary