

Decision No. 8445.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of )  
 SAN DIEGO ELECTRIC RAILWAY COMPANY )  
 for permission to sell its power house )  
 and plant to the SAN DIEGO CONSOLIDATED ) Application No. 6218.  
 GAS AND ELECTRIC COMPANY, and for the )  
 approval of a contract to purchase power.)

In the Matter of the Application of the )  
 UNITED LIGHT, FUEL AND POWER COMPANY )  
 to sell its steam heating system to the ) Application No. 6219.  
 SAN DIEGO CONSOLIDATED GAS AND ELECTRIC )  
 COMPANY.)

In the Matter of the Application of the )  
 SAN DIEGO CONSOLIDATED GAS AND ELECTRIC )  
 COMPANY, a corporation, for authority to )  
 issue and sell \$500,000 face value of ) Application No. 6226.  
 its first mortgage 5 per cent gold bonds )  
 and \$604,000 par value of its preferred )  
 stock.)

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R.G. Dilworth for San Diego Electric Railway Company and  
 United Light, Fuel and Power Company;

Sweet, Stearns & Forward, and Chickering & Gregory by Allen L.  
 Chickering, for San Diego Consolidated Gas and  
 Electric Company.

LOVELAND, Commissioner.

O P I N I O N.

The above entitled applications were consolidated for  
 hearing and decision.

In Application No. 6218, SAN DIEGO ELECTRIC RAILWAY  
 COMPANY asks permission to sell for the sum of \$1,000,000.00 its power  
 house and electric generating plant described in Exhibit "A" attached  
 to the petition to SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY.  
 In payment for the properties, the company has agreed to accept  
 \$425,000.00 of 5 per cent first mortgage bonds and \$575,000.00 of

7 per cent preferred stock of San Diego Consolidated Gas and Electric Company.

In Application No. 6219, UNITED LIGHT, FUEL AND POWER COMPANY asks permission to sell for \$100,000.00 its steam heating system, described in Exhibit "A" attached to the petition, and franchises, to San Diego Consolidated Gas and Electric Company. The company has agreed to accept in payment for the properties \$75,000.00 of 5 per cent bonds and \$25,000.00 of 7 per cent preferred stock of San Diego Consolidated Gas and Electric Company.

In Application No. 6226, SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY asks permission to issue \$500,000.00 of its first mortgage 5 per cent bonds and \$600,000.00 of its 7 per cent cumulative preferred stock in payment for the properties of San Diego Electric Railway Company and United Light, Fuel and Power Company referred to in the preceding paragraphs. It further asks permission to issue and sell at not less than 96 per cent of its par value \$4,000.00 of its 7 per cent cumulative preferred stock and use the proceeds to pay expenses incurred in connection with the purchase of the properties.

San Diego Electric Railway Company owns an electric generating plant located in San Diego. The plant has an installed capacity of 9,200 k.w. The original cost of the plant, as of December 31, 1919, is reported at \$1,082,279.25. The Railroad Commission in Decision No. 2384, dated May 12, 1915, determined the reproduction cost of the power plant, real estate, building, fixtures and equipment as of June 30, 1914, to be \$1,081,230.43. From June 30, 1914 to December 31, 1919, the company has expended on improvements to the plant and equipment the sum of \$132,306.10, making the so-called reproduction value as of December 31, 1919, amount to \$1,213,536.53.

In Decision No. 6836, dated November 14, 1919, the Railroad Commission reviewed the financial and operating conditions of San Diego Electric Railway Company and found that the cost at which the company was generating its electrical energy was high. In its endeavor to secure less expensive power, the company has agreed to sell, and asks permission to sell, its generating plant to San Diego Consolidated Gas and Electric Company for \$1,000,000.00 and accept in payment \$425,000.00 of that company's first mortgage 5 per cent bonds and \$575,000.00 of its 7 per cent cumulative preferred stock. The bonds and stock will be used by San Diego Electric Railway Company to reduce its outstanding bonded indebtedness. All of the outstanding bonds of San Diego Electric Railway Company have been acquired at eighty-five by, and are now owned by, J.D. and A.B. Spreckels Securities Company. The Securities Company has agreed to exchange Railway Company bonds at eighty-five, for the stock and bonds of San Diego Consolidated Gas and Electric Company at the actual market value of such securities at the time the exchange is made. Through this transaction more than \$1,000,000.00 of San Diego Electric Railway Company bonds should be retired, thereby reducing the company's bonded outstanding indebtedness to less than \$2,724,000.00.

There has been filed in Application No. 6218 a copy of the proposed power contract between San Diego Electric Railway Company and San Diego Consolidated Gas and Electric Company. This contract has been examined by the Gas and Electric Division of the Commission's Engineering Department and found to be satisfactory.

United Light, Fuel and Power Company operates a steam heating distributing system in San Diego and an electric distributing system in Coronado. The company purchases the steam it distributes from the San Diego Electric Railway Company, at the power plant of the Railway Company, such steam being produced by the Railway Company in

connection with the generation and distribution of electric current. United Light, Fuel and Power Company asks permission to sell for \$100,000.00 its steam distributing system and franchises to San Diego Consolidated Gas and Electric Company, and accept in payment \$75,000.00 of purchasing company's 5 per cent first mortgage bonds and \$25,000.00 of its 7 per cent cumulative preferred stock. The original cost of the steam distributing system as of December 31, 1919, is reported at \$136,873.95 and the original cost less depreciation at \$100,000.00. Among the properties which United Light, Fuel and Power Company asks permission to sell to San Diego Consolidated Gas and Electric Company are the rights and privileges under Ordinance No. 4696, approved April 3, 1912, and Ordinance No. 5251 approved September 8, 1913. Under these ordinances the company may construct, maintain and operate steam pipe conduits upon and along certain streets subject to the terms and conditions of the ordinances.

Mr. H.H. Jones, President and General Manager of San Diego Consolidated Gas and Electric Company, testified that the increase of the Gas and Electric Company's business necessitated the installation of additional capacity at its present plant or the purchase of the Railway Company's power plant. He regards the latter much less expensive, and is of the opinion that the price which the Gas and Electric Company has agreed to pay for the properties is fair and reasonable.

To enable it to purchase the properties to which reference has been made, San Diego Consolidated Gas and Electric Company asks permission to issue \$604,000.00 of 7 per cent preferred stock and \$500,000.00 of its 5 per cent first mortgage bonds. Of the bonds \$425,000.00 will be delivered to San Diego Electric Railway Company and \$75,000 to United Light, Fuel and Power Company. Of the stock \$575,000 will be delivered to San Diego Electric Railway Company; \$25,000 to United Light, Fuel and Power Company, and \$4,000 sold at

not less than 96 per cent of its par value and the proceeds used to pay expenses incidental to the purchase of the properties. Though the company asks permission to issue \$500,000.00 of bonds to pay in part for certain properties which it intends to acquire, the Commission will not insist that the cost of the acquired properties be included in the statement filed with the trustee under the company's first mortgage, as a condition precedent to the certification and delivery of bonds by the trustee. For the purpose of having its bonds certified by the trustee, the company may include in its statements any expenditures permitted by the terms and conditions of the mortgage.

I herewith submit the following form of Order.

O R D E R.

Applications having been filed with the Railroad Commission involving the transfer of properties and the issue of securities, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured by the issue of bonds and stock of San Diego Consolidated Gas and Electric Company, as herein authorized, is reasonably required by the company and that the expenditures for the acquisition of such properties are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that SAN DIEGO ELECTRIC RAILWAY COMPANY be, and it is hereby, authorized to sell and SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY to purchase the power house and plant described in Exhibit "A" attached to the petition in Application No. 6218, said sale and purchase to be made pursuant to the terms of the agreements attached to the petition in said Application No. 6218 and marked Exhibits "B" and "C" respectively..

IT IS HEREBY FURTHER ORDERED, that UNITED LIGHT, FUEL AND

POWER COMPANY be, and it is hereby, authorized to sell and SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY to purchase the steam heating distributing system and franchises described in Exhibit "A" attached to the petition in Application No. 6219, said sale and purchase to be made pursuant to the terms and conditions of the agreements attached to the petition in Application No. 6219 and marked Exhibits "B" and "C".

IT IS HEREBY FURTHER ORDERED, that SAN DIEGO ELECTRIC RAILWAY COMPANY and SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY be, and they are hereby, authorized to enter into a power contract substantially in the same form as the power contract filed in Application No. 6218.

IT IS HEREBY FURTHER ORDERED, that SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue \$604,000.00 par value of its 7 per cent cumulative preferred stock and \$500,000.00 face value of its first mortgage 5 per cent gold bonds due March 1, 1939.

The authority herein granted is subject to the following conditions:

- 1.--Of the stock herein authorized to be issued, \$575,000.00, and of the bonds herein authorized to be issued \$425,000.00, shall be issued at par and delivered to San Diego Electric Railway Company in full payment for the power house and plant which it is herein authorized to sell to San Diego Consolidated Gas and Electric Company, said San Diego Electric Railway Company is hereby permitted to take said stock in part payment for said power house and plant.
- 2.--Of the stock herein authorized to be issued, \$25,000.00, and of the bonds herein authorized to be issued, \$75,000.00, shall be issued at par and delivered to United Light,

Fuel and Power Company in full payment for the steam heating distributing system which it is herein authorized to sell, said United Light, Fuel and Power Company is hereby permitted to take said stock in part payment for said steam heating distributing system.

3.--Of the stock herein authorized to be issued, San Diego Consolidated Gas and Electric Company may sell at not less than 96 per cent of its par value \$4,000.00 and use the proceeds to pay expenses incidental to the purchase of the properties from San Diego Electric Railway Company and United Light, Fuel and Power Company.

4.--Within sixty days after their execution, San Diego Consolidated Gas and Electric Company shall file with the Commission verified copies of the instruments of conveyance under which it secures and holds title to the properties which it is herein authorized to purchase.

5.--The securities herein authorized to be issued and the consideration given in payment for the properties shall not be binding upon this Commission, or anybody of competent jurisdiction, as a measure of value of said properties for the purpose of fixing rates or for any purpose other than the transfer herein authorized.

6.--Within sixty days after the date hereof, San Diego Consolidated Gas and Electric Company shall file with the Railroad Commission a stipulation duly authorized by its Board of Directors, declaring that San Diego Consolidated Gas and Electric Company, its successors and assigns, will never claim before that Railroad Commission a value for the rights and privileges secured under the franchises or ordinances which it will acquire from United Light, Fuel and Power Company in excess of the amount actually paid to the City of San Diego as a consideration for

the granting of such franchises, which amount shall be set forth in the stipulation and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in satisfactory form with the Railroad Commission.

7.--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 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.

8.--The authority herein granted will not become effective until San Diego Consolidated Gas and Electric Company has paid the fee prescribed by the Public Utilities Act.

9.--The authority herein granted will apply only to such transfer of property as may be effected on or before June 1, 1921, and to such bonds and stock as may be issued on or before June 1, 1921.

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 18<sup>th</sup> day of December, 1920.

Edwin O. Edgerton

H. D. Howard

H. D. Boudin



Commissioners.