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ORIGINAL

Decision No. 8737

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
LOS ANGELES GAS AND ELECTRIC CORPORATION))	
for an order authorizing the issuance)	<u>Application No. 6617.</u>
and sale of bonds in the amount of)	
\$2,500,000.00 par value.)	

Paul Overton for applicant.

LOVELAND, Commissioner.

O P I N I O N.

LOS ANGELES GAS AND ELECTRIC CORPORATION asks permission to increase its authorized bonded indebtedness from \$⁶~~10~~,000,000.00 ^{WAL} to \$75,000,000.00 ^{Mar 18-21} to execute a general and refunding mortgage to secure the payment of an authorized bond issue of \$75,000,000.00, to issue and sell under said mortgage \$2,500,000.00 of Series "A" 5-year 7 per cent bonds due March 1, 1926, to issue and sell pending the issue and delivery of said bonds temporary certificates and to use the proceeds from the sale of the bonds to reimburse its treasury and pay construction expenditures incurred or to be incurred during 1921.

Applicant may increase its authorized bonded indebtedness without securing permission from the Railroad Commission, but it cannot sell or otherwise dispose of any bonds or execute a mortgage to secure the payment of such bonds without permission from the Railroad Commission.

Applicant reports that it needs and requires funds for the reimbursement of its treasury because of moneys expended from income, and to enable it to make necessary additions and extensions to

its plants and properties and enlarge and extend its facilities to meet the growing demand of its business. In Exhibit "D", filed in this proceeding, applicant reports its estimated expenditures for plant extensions, additions and betterments during 1921. A summary of the exhibit shows that applicant estimates such expenditures as follows:

Gas Works,	\$3,444,780
Electric Works,	557,250
Gas Distributing System,	1,806,875
Electric Distributing System,	355,575
Miscellaneous,	414,840
Total,	<u>\$6,579,320</u>

Heretofore the Railroad Commission has authorized applicant to issue and sell at not less than \$85.00 per share \$3,000,000.00 (30,000 shares) of 6 per cent cumulative preferred stock and use the proceeds to pay in part the cost of the plant extensions, additions, betterments and improvements reported in Exhibit "D". While applicant in this proceeding asks permission to issue the \$2,500,000.00 of bonds for the purpose of reimbursing its treasury, the record shows that applicant intends to use, and the order herein will require it to use, all the proceeds obtained from the sale of the bonds to pay the cost of new construction.

Under its first and refunding mortgage, applicant can issue only 5 per cent bonds. On account of present market conditions, these bonds would have to be sold at a considerable discount. Moreover, the amount of uncertified bonds under applicant's first and refunding mortgage and available for new construction, may be insufficient to meet applicants needs during the current and following year. Applicant's board of directors and officers have therefore concluded to submit to applicant's stockholders the proposition of increasing applicant's bonded debt from an authorized issue of \$15,000,000.00 to \$75,000,000.00. A meeting of the stockholders has been called for April 27, 1921. Applicant reports that it has sold the \$2,500,000.

of 7 per cent bonds which it asks permission to issue subject to their issue being authorized by the Railroad Commission. No copy of the new mortgage securing the payment of such bonds has as yet been filed with the Commission. The order herein will provide that no bonds may be issued or delivered until the Commission, by supplemental order, has authorized applicant to execute a mortgage securing the payment of the bonds.

Applicant asks permission to issue and sell certificates for subscription to \$2,500,000.00 of its Series "A" 5-year 7 per cent bonds. Pending the issue and delivery of the bonds, the certificates provide that all moneys obtained from their sale will be deposited with trustees and held by such trustees until the bonds are ready for delivery. If the bonds are not delivered by August 1, 1921, the holders of the certificates upon presenting such certificates to the trustees can demand the return of the amounts paid for the certificates.

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 execute a mortgage, to issue and sell \$2,500,000 of Series "A" 5-year 7 per cent general and refunding mortgage bonds and pending such sale, certificates for subscriptions to said 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 issue and sell, for cash, at not less than 94½ per cent of their face value and accrued interest, \$2,500,000.00 of Series "A" 5-year 7 per cent general and refunding mortgage bonds due March 1, 1926, and pending the issue and delivery of said bonds, issue, sell and deliver certificates for subscription to said bonds, said certificates to be sold, for cash, at not less than 94-1/2 per cent of their face value and accrued interest.

The authority herein granted is subject to the following conditions:

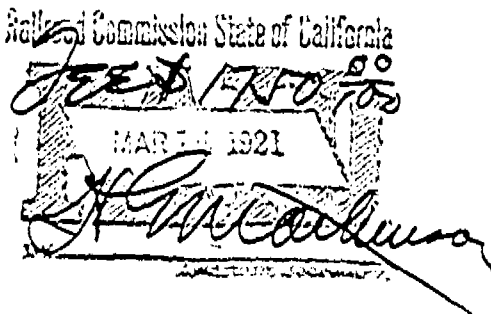
1.--All proceeds obtained from the sale of the certificates herein authorized to be issued and sold, shall be deposited with a trustee or trustees and held in accordance with the terms of certificates of subscription filed in this proceeding, until such time as the Railroad Commission has authorized applicant to execute a mortgage to secure the payment of its proposed general and refunding mortgage bonds. Upon the execution of the mortgage and the delivery of the bonds, the proceeds obtained from the sale of the certificates of subscription, or from the sale of the bonds, may be used to reimburse applicant's treasury, provided that all of said proceeds be thereafter used to finance expenditures reported in Exhibit "D" filed in this proceeding, or for such other purposes as the Railroad Commission may hereafter authorize.

2.--None of the bonds herein authorized to be issued and sold shall be delivered until the Commission has, by supplemental order in this proceeding, authorized Los Angeles Gas and Electric Corporation to execute a mortgage or trust deed securing the payment of said bonds.

- 3.--Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the certificates of subscription or 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 certificates of subscription or bonds as may be issued, sold and delivered on or before October 15, 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 14th day of March, 1921.



Frank R. Johnson
H. J. Loveland

James Martin
Charles H. Rowell

Commissioners.