

Decision No. 9708.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
SAN DIEGO ELECTRIC RAILWAY COMPANY)
for an order authorizing the execu-)
tion of a deed of trust or mortgage)
and the issue of bonds of the face)
value of \$4,748,000.00.)

Application No. 1206.

Read G. Dilworth for applicant.

ROWELL, Commissioner.

FIRST SUPPLEMENTAL OPINION.

On October 6, 1914, the Commission by Decision No. 1851 authorized SAN DIEGO ELECTRIC RAILWAY COMPANY to issue and sell at not less than 85 per cent. of their face value and accrued interest \$4,497,000.00 of 5 per cent. general first lien sinking fund gold bonds due January 1, 1955.

The company has heretofore issued \$3,920,000.00 of the bonds, leaving \$577,000.00 unissued. Under the Commission's decision No. 9564, dated September 27, 1921, the company may sell the \$577,000.00 of bonds at any time on or before October 1, 1922, subject to the condition that the proceeds be expended only for such purposes as the Railroad Commission may authorize. In a supplemental petition filed in the above entitled matter, applicant asks permission to expend the proceeds from the sale of the \$577,000.00 of bonds to reimburse its treasury on account of moneys expended for construction purposes from February 1, 1915 to December 31, 1920. Applicant has filed a statement in which it reports that from February 1, 1915 to December 31, 1920, it expended for and charged to road

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and equipment the sum of \$970,223.73. While applicant refers to having made these expenditures out of its "surplus funds", the testimony of E.J. Burns shows that the company technically has had no surplus funds and that it has been possible for applicant to make the expenditures out of earnings only because the bondholders were agreeable to the postponement of the payment of interest on their bonds.

At the hearing the supplemental application was amended so as to relieve the Commission from approving the \$970,223.73 of alleged construction expenditures. The propriety of a number of the items included therein are questioned both by the Commission's department of finance and accounts and the engineering department. The supplemental application, however, can be granted even though the amounts questioned by the Commission's departments are eliminated from the reported construction expenditures.

During 1920, applicant under authorization of the Railroad Commission sold its power plant and power plant properties for \$1,000,000.00 payable in \$425,000.00 of bonds and \$575,000.00 of 7 per cent preferred stock of San Diego Consolidated Gas and Electric Company. Upon receiving these securities, applicant sold them to the J.D. and A.B. Spreckels Securities Company for the total sum of \$863,375.00. This money was used by applicant to re-acquire first mortgage bonds at 85, and as a result of such use, applicant has purchase \$1,015,000.00 of its first mortgage bonds. In addition, applicant has retired through sinking fund and other payments \$305,000.00 of its first mortgage bonds, making a total of \$1,320,000.00 of first mortgage bonds retired. There remains now outstanding \$2,600,000.00 of first mortgage bonds.

In Exhibit "B", applicant as of September 30, 1921, reports the reproduction cost less depreciation of its property at \$4,142,709.84 offset by \$1,250,000.00 of outstanding stock, \$2,600,000.00 of outstanding bonds, \$344,103.29 in the depreciation funds and \$596,015.33 current liabilities. The granting of this application will result in

the substitution of the bonds for the indebtedness represented by current liabilities.

The order herein will permit of the use of the proceeds obtained from \$577,000.00 of bonds to pay such indebtedness as may represent expenditures on capital accounts as such capital accounts are defined in the uniform system of accounts prescribed by the Railroad Commission.

I herewith submit the following form of Order:

FIFTE SUPPLEMENTAL ORDER

SAN DIEGO ELECTRIC RAILWAY COMPANY having applied to the Railroad Commission for permission to expend the proceeds obtained from the sale of \$577,000.00 of its first mortgage bonds, a public hearing having been held and the Commission being of the opinion that its Decision No. 1851, dated October 6, 1914, as amended, should be modified as herein provided;

IT IS HEREBY ORDERED, that the order in Decision No. 1851, dated October 6, 1914, as amended, be, and it is hereby, modified so as to permit SAN DIEGO ELECTRIC RAILWAY COMPANY to use the proceeds obtained from the sale of \$577,000.00 of its 5 per cent. general first lien sinking fund gold bonds due January 1, 1955, to reimburse its treasury and finance in whole or in part the net cost of construction expenditures incurred on or before September 30, 1921, or to pay obligations incurred on account of such expenditures.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 1851, dated October 6, 1914, as amended, shall remain in full

force and effect, except as modified by this Fifth Supplemental Order.

The foregoing First Supplemental Opinion and Fifth Supplemental Order are hereby approved and ordered filed as the First Supplemental Opinion and Fifth Supplemental Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 4th day of November, 1921.

H. B. Bendigo
H. D. Hayward
Virgilio Martin
Charles H. Brown
J. J. ...
Commissioners.