

temporary bonds until definitive bonds are available for issue and delivery; and (6) authorizing San Diego Consolidated Gas and Electric Company to spread the unamortized discount and expense on its outstanding bond issues and the premium which will have to be paid upon the redemption of such bonds over the life of the new bonds.

San Diego Consolidated Gas and Electric Company, hereinafter sometimes referred to as the Company, at this time has outstanding bonds in the total amount of \$15,868,000.00, consisting of the following:-

Name of Bond	Date of Bonds	Date Due	Int. Rate	Call Price	Amount
First mortgage First and refunding mortgage:	Mch 1, 1909	Mch 1, 1939	5%	:105	\$5,680,000.
Series A	Mch 1, 1921	Mch 1, 1939	6%	:101	2,750,000.
Series B	Mch 1, 1922	Mch 1, 1947	5%	:103	4,000,000.
Series C	Mch 1, 1923	Mch 1, 1947	6%	:104	1,438,000.
Series D	Mch 1, 1932	Mch 1, 1960	5½%	:105	2,000,000.
Total.....					\$15,868,000.

The company has outstanding \$6,292,500.00 of 7% cumulative preferred stock and \$10,032,500.00 of common stock.

The company proposes to redeem all of the above bonds on or prior to September 1, 1935. To provide itself with some of the funds necessary to effect such redemption, it asks permission to issue and sell at not less than 95% of their face value and accrued interest \$15,500,000.00 of first mortgage 4% bonds dated May 1, 1935 and due May 1, 1965. The payment of the new bonds will be secured by a trust indenture executed by San Diego Consolidated Gas and Electric Company to the Bank of California, National Association. The company's proposed trust indenture defines the terms and conditions under which the company may issue bonds. After the issue of \$15,500,000.00 of bonds under the trust indenture, additional bonds may be certified by the trustee in amounts equal to 75% of the cost or fair value, whichever is less, of permanent additions to the

company's properties, or in amounts equal to 75% of the reproduction cost less depreciation of properties acquired as an entirety, provided the net earnings of the company, as defined in the trust indenture for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the date of an application for authentication and delivery of bonds, shall have been in the aggregate at least equivalent to twice the interest requirements for a period of one year upon (a) the bonds applied for, and (b) all bonds outstanding. The trust indenture also authorizes amendments thereto. While we have no objection to the execution of the trust indenture, the authority herein granted, of course, does not confer upon the company the right to execute amendments or modifications without authorization from the Commission, nor does it confer upon the company permission to issue any bonds. It may be that the Commission will in subsequent orders not permit the company to issue bonds up to 75% of the cost of permanent additions or up to 75% of the reproduction cost less depreciation of properties acquired by it.

The Company reports that it has filed with the Securities and Exchange Commission a registration statement. It, however, has not yet entered into a contract covering the sale of the bonds. While it asks permission to sell such bonds at not less than 95% of their face value and accrued interest, it feels that if the current market conditions prevail it will be able to obtain a better price for its bonds.

The Company reports that as of June 1, 1935 it will have on its books unamortized bond discount and expense in the amount of \$627,851.06 and that to redeem its outstanding bonds, it will have to pay a premium of \$589,020.00. It will reduce its bonded debt by the sum of \$368,000.00 and its annual interest charge by the sum of \$225,280.00. The uniform system of accounts prescribed by the Com-

mission provides that when a bond issue is paid, the unamortized discount and expense applicable to such issue and any premium paid, should be charged to surplus. In this instance the company asks that it be relieved from this requirement and be permitted to amortize the said discount, expense and premium over the life of the new bond issue. Unless and until hereafter directed by the Commission to the contrary, the company for accounting purposes may charge said amounts to unamortized debt discount and expense, it being understood that the Commission reserves the right to hereafter determine whether the amounts necessary to amortize said discount and expense and premium should be included in the cost of money to the company.

The San Diego Gas and Electric Company was organized in 1920 and owns some properties operated by San Diego Consolidated Gas and Electric Company, which controls it though stock ownership. The two companies under the authority granted by decision No. 9121, dated June 20, 1921 in Application No. 6744 executed a mortgage or deed of trust which is a first lien on the properties of San Diego Gas and Electric Company. There is no longer any necessity for the continuance of the San Diego Gas and Electric Company and it^{is}/therefore proposed to transfer its properties by dissolution or otherwise to San Diego Consolidated Gas and Electric Company.

ORDER

San Diego Gas and Electric Company and San Diego Consolidated Gas and Electric Company having asked the Commission to enter its order, as indicated in the foregoing opinion, and the Commission having considered applicants' request and being of the opinion that this is not a matter in which a public hearing is

necessary, that applicant San Diego Consolidated Gas and Electric Company should be permitted to issue \$15,500,000.00 of bonds, that the money, property or labor to be procured or paid for by such issue of bonds is reasonably required for the purposes herein stated, that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. San Diego Gas and Electric Company may, after the effective date hereof and prior to September 30, 1935, transfer and convey by dissolution or otherwise all of its properties to the San Diego Consolidated Gas and Electric Company.
2. San Diego Consolidated Gas and Electric Company may, after the effective date hereof and prior to September 30, 1935, execute and deliver to San Diego Gas and Electric Company a guarantee of the indebtedness and liabilities, if any, of said San Diego Gas and Electric Company.
3. San Diego Consolidated Gas and Electric Company may, after the effective date hereof and prior to September 30, 1935, execute a trust indenture substantially in the same form as the trust indenture filed in this proceeding on May 14, 1935,^{as amended,} provided that the authority herein granted to execute said trust indenture is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust indenture as to such other legal requirements to which it may be subject; and provided further that no amendment to said trust indenture shall become effective unless its execution

is authorized by the Railroad Commission of the State of California and such other governmental agency as may have jurisdiction thereof; and provided further that nothing contained in said trust indenture shall be construed as authorizing said San Diego Consolidated Gas and Electric Company to issue any securities under said trust indenture other than those specifically authorized herein to be issued, without first securing express authority therefor from the Railroad Commission of the State of California and such other governmental agency as may have jurisdiction over said issue; and provided further that nothing herein contained shall be deemed or considered to constitute a limitation upon, or in any way to affect or interfere, with the authority of the Railroad Commission of the State of California and such other governmental agency as may have jurisdiction over the issue of bonds hereafter, or to determine the basis upon which bonds may be hereafter authorized to be issued.

4. San Diego Consolidated Gas and Electric Company may, after the effective date hereof and prior to September 30, 1935, issue and sell at not less than 95% of their face value and accrued interest, \$15,500,000.00 of its first mortgage 4% bonds Series due May 1, 1965, and use the proceeds other than accrued interest, to redeem on or before September 1, 1935 its outstanding bonds by payment thereof dollar for dollar in lawful money of the United States. The accrued interest may be used for general corporate purposes.
5. San Diego Consolidated Gas and Electric Company may, pending the preparation and delivery of definitive bonds, execute, authenticate, issue and deliver in lieu of said definitive bonds, temporary bonds, such temporary bonds to be issued

and sold under the same terms and conditions as applicant is herein authorized to issue and sell said first mortgage 4% bonds Series due 1965.

6. San Diego Consolidated Gas and Electric Company may, after the effective date hereof and prior to September 30, 1935, call and redeem its outstanding bonds, referred to in the foregoing opinion and re-convey and satisfy the indentures securing the payment of said bonds.
7. Decision No. 11353 dated December 13, 1922, is hereby modified so as to permit San Diego Consolidated Gas and Electric Company to amortize on or before May 1, 1965 the un-amortized discount and expense applicable to the bonds which it intends to redeem on or before September 1, 1935, and the premium which it must pay upon the redemption of said bonds, provided that the Commission reserves the right to hereafter determine whether the charges necessary to amortize said discount, expense and premium should be included in the cost of money to said San Diego Consolidated Gas and Electric Company.
8. San Diego Consolidated Gas and Electric Company shall on or before October 31, 1935 file with the Railroad Commission a statement showing in detail the expenses incurred by it because of the issue and sale of said \$15,500,000.00 of first mortgage 4% bonds Series due 1965.
9. San Diego Consolidated Gas and Electric Company shall file with the Commission within thirty (30) days after the sale of the bonds herein authorized (a) a copy of the prospectus under which said bonds are being distributed by the underwriters; and (b) a copy of the contract between it and said underwriters; and (c) two copies of the trust

indenture herein authorized to be executed.

10. San Diego Consolidated Gas and Electric Company shall keep such record of the issue, sale and delivery of the 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 insofar as applicable, is made a part of this order.
11. The authority herein granted will become effective when San Diego Consolidated Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

DATED at San Francisco, California, this 20th day of May, 1935.

Leon Whittell

W. J. Carr

M. B. Davis

W. H. ...

Frank ...

Commissioners.

Fee \$ 2,278 ⁵⁰/₁₀₀

RAILROAD COMMISSION
STATE OF CALIFORNIA
MAY 20 1935
A. L. ...
SECRETARY
Fee # 31369

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY

Re: Payment of Fee in Application No. 19959.

First Mortgage Bonds	Bonds Outstanding	Issues on which fee was paid	Issues on which no fee was paid.
Issued prior to Mch 23, 1912 (See App. 192)	\$ 3,175,000.	\$ -	\$ 3,175,000.
Dec. 210, Sept. 4, 1912, App. 192	250,000.	250,000. (1)	-
" 453, Feb. 11, 1913, " 378	204,000.	-	204,000.
" 761, June 30, 1913 " 590	637,000.	459,000. (2)	178,000.
" 4093, Feb. 8, 1917, " 2661	334,000.	334,000. (3)	-
" 4098, Feb. 10, 1917, " 2669	30,000.	30,000. (4)	-
" 8445, Dec. 18, 1920, " 6226	500,000.	500,000. (5)	-
" 12139, May 25, 1923 " 8970	550,000.	550,000. (6)	-
Total first mortgage bonds.....	\$ 5,680,000.	\$ 2,123,000.	\$ 3,557,000.
 <u>First and Refunding Mortgage Bonds:</u>			
A-Dec. 8956, May 9, 1921, App. 6744	2,750,000.	2,750,000. (7)	-
B- " 9988, Jan. 12, 1922, " 7439	1,500,000.	1,500,000. (8)	-
C- " 12139, May 25, 1923, " 8970	1,438,000.	1,438,000. (9)	-
B- " 16714, May 12, 1926 " 12790	2,500,000.	2,500,000. (10)	-
D- " 25999, Aug. 22, 1932 " 18352	2,000,000.	2,000,000. (11)	-
Total first & refunding mortgage bonds	10,188,000.	10,188,000.	-
TOTALS.....	\$15,868,000.	\$12,311,000.	\$ 3,557,000.

- (1) \$250. fee paid Sept. 7, 1912
- (2) \$459. " paid July 2, 1913
- (3) \$334. " paid Feb. 9, 1917
- (4) \$ 30. " paid Feb. 14, 1917
- (5) \$500. " paid Dec. 18, 1920.
- (6) Issued to refund in part collateral trust notes of \$652,800. on which a \$400. fee was paid Sept. 14, 1917 and a \$253. fee on June 20, 1918.
- (7) \$1,875. fee paid on May 10, 1921.
- (8) \$1,250. fee paid on Jan. 12, 1922.
- (9) \$1,219. fee paid on May 25, 1923.
- (10) \$1,750. fee paid on May 12, 1926.
- (11) \$500. fee paid Aug. 22, 1932. Balance of \$1,500,000. of bonds used to refund \$1,500,000. of notes on which a \$1,250. fee was paid Dec. 26, 1930.

CALCULATION OF FEE:

Bonds now applied for	\$15,500,000.00
Outstanding bonds to be refunded on which a fee has been paid	12,311,000.00
Balance	3,189,000.00
Fee on \$3,189,000. is	<u>\$2,044.50</u>

The above gives the company a slight advantage by assuming that some of the outstanding bonds on which no fee has been paid will be retired with the cash used by the company in excess of the proceeds to be received from the \$15,500,000. issue of new bonds.

An alternative method of calculating the fee would be as follows:-

Bonds to be refunded	\$15,868,000.00
Bonds on which a fee has been paid	<u>12,311,000.00</u>
Balance on which no fee has been paid but which now are to be refunded	<u>\$ 3,557,000.00</u>
Fee on \$3,557,000.	<u>\$ 2,278.50</u>

F. Coleman.

attach to original
L. H. Mackay
Sec.