

Decision No. 23638

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN DIEGO CONSOLIDATED GAS AND ELECTRIC
COMPANY, a corporation,
for authority to execute and deliver a
new trust indenture and issue and sell
a new issue of first mortgage bonds
thereunder of the face value of
\$16,000,000.

Application No. 23638

ORIGINAL

BY THE COMMISSION:

O P I N I O N

San Diego Consolidated Gas and Electric Company, now San Diego Gas & Electric Company, (1) asks permission to issue and sell, for the purposes hereinafter stated, at not less than 106-3/8% of their face value and accrued interest, \$16,000,000 of its first mortgage bonds, 3-3/8% Series due July 1, 1970, and to execute a trust indenture to secure the payment of its first mortgage bonds.

San Diego Gas & Electric Company, hereinafter some times referred to as applicant, is engaged as a public utility in the business of purchasing, manufacturing and selling gas and electricity in San Diego County, California and rendering incidental steam service in the business section of the City of San Diego, also in selling electricity in a portion of Orange County, California. For the year ending June 30, 1940, applicant reports operating

(1) Name changed by amendment to Articles of Incorporation.

revenues of \$8,842,745.45, segregated as follows:

Electricity	\$5,710,136.66
Gas	3,074,431.44
Steam	58,177.35

Applicant's gross income for the year, that is, the amount available for the payment of bond interest, amortization of debt discount and expense, dividends and surplus amounted to \$2,168,541.

As of June 30, 1940, applicant had outstanding \$10,032,500 par value of common stock and \$6,292,500 par value of 7% preferred stock. It also had outstanding \$15,500,000 of first mortgage bonds, 4% Series due May 1, 1965. These bonds were issued under the authority granted by Decision No. 27968, dated May 20, 1935, as amended, in Application No. 19959. Upon issuing the bonds, the company reserved the right to redeem the same prior to maturity. It now proposes to exercise this right, on or before November 20, 1940, and redeem the \$15,500,000 of 4% bonds. Upon their redemption it must pay the face value of the bonds, the accrued interest and a premium of 7%. For this purpose and for the purpose of reimbursing its treasury because of income expended for additions and betterments to its properties, applicant asks authority to issue and sell at not less than 106-3/8% of their face value and accrued interest, \$16,000,000 of first mortgage bonds, 3-3/8% Series due July 1, 1970.

Applicant filed on September 16, 1940 a revised copy of its mortgage and deed of trust securing the payment of its new bonds. We find the revised copy to be in satisfactory form.

Applicant's balance sheet, as of June 30, 1940, shows unamortized bond discount, expense and premium paid of \$1,538,510.79. This bond discount and expense is in part applicable to applicant's 4% bonds now outstanding and in part to bond issues which have heretofore been redeemed. In its petition applicant recites that it proposes to make such arrangements for the amortization of said bond discount, expense and premium together with the premium it will pay upon the redemption of the 4% bonds as may be prescribed by the Commission. We have given consideration to this matter and direct the company to charge to surplus the discount, expense and premium on the bonds heretofore redeemed. This amount on June 30, 1940 was \$1,173,397. Upon the sale of the 3-3/8% bonds, the company should credit to surplus the premium which it will receive because of the sale of said bonds. Normally, this would be amortized over the life of the bonds and be added to surplus from year to year. The \$365,113.79 discount and expense applicable to the 4% bonds should be amortized on or before May 1, 1965, the maturity date of said 4% bonds. The premium, \$1,085,000, paid upon the redemption of said 4% bonds should be amortized over the life of the 3-3/8% bonds, the maturity date of which is July 1, 1970. The company, as permitted in our Uniform System of Accounts, may anticipate the amortization of said bond discount, expense and premium prior to the maturity date of said 4% bonds or said 3-3/8% bonds. It should be understood that the Commission reserves the right to determine whether the amount necessary to amortize bond discount, expense and premium should be included in the cost of money to the company.

ORDER

The Commission having considered the requests of San Diego Gas & Electric Company, and it being of the opinion that this is not a matter in which a public hearing is necessary, that the money, property, or labor to be procured or paid for by the issue of \$16,000,000 first mortgage bonds, 3-3/8% Series due July 1, 1970, is reasonably required by applicant for the purposes herein stated and 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, subject to the provisions of this order, therefore

IT IS HEREBY ORDERED as follows:

1. San Diego Gas & Electric Company may, after the effective date hereof and prior to December 31, 1940, execute a mortgage and deed of trust in substantially the same form as the mortgage and deed of trust filed in this proceeding on September 16, 1940, provided that the authority herein granted to execute said mortgage and deed of trust 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 mortgage and deed of trust as to such other legal requirements to which it may be subject, 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.

2. San Diego Gas & Electric Company may, after the effective date hereof and prior to December 31, 1940, issue and sell at not less than 106-3/8% of their face value plus accrued interest, \$16,000,000 of its first mortgage bonds, 3-3/8% Series due July 1, 1970.

3. San Diego Gas & Electric Company shall use the proceeds realized through the issue and sale of said bonds to redeem and pay on or before November 20, 1940, the principal of and premium on all of the said \$15,500,000 of outstanding 4% bonds, and reimburse its treasury in part because of income expended for additions and betterments to its properties, as set forth in Exhibit B filed in this proceeding.

4. Decision No. 30269, dated October 25, 1937, as amended, is hereby modified so as to permit San Diego Gas & Electric Company to amortize bond discount, expense and premium as directed in the foregoing opinion, provided that the Commission reserve the right to hereafter determine whether the charges necessary to amortize said discount, expense or premium should be included in the cost of money to said San Diego Gas & Electric Company.

5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Five Hundred (\$500.00) Dollars.

6. San Diego Gas & 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 Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

7. San Diego Gas & Electric Company shall within thirty (30) days after the sale of said 3-3/8% bonds, file with the Railroad Commission of the State of California two copies of the agreement covering the sale of said bonds, and two verified copies of the mortgage and deed of trust executed under the authority herein granted.

Dated at San Francisco, California, this 24th day of September, 1940.

Ray L. Rice
Frank R. Allen
Ralph Babington
H. B. K. K.
Justus J. Gammien
Commissioners.

