

LEM

Decision No. 14717

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the matter of the application of)
Southern Counties Gas Company of)
California for authority to issue and) Application No. 10921
sell \$1,250,000. par value of its seven)
per cent preferred capital stock.)

Le Roy M. Edwards, for applicant

SHORE, Commissioner.

ORIGINAL

O P I N I O N

In this application Southern Counties Gas Company of California asks permission to issue and sell \$1,250,000. of its seven per cent preferred stock.

In a financial statement dated January 31, 1925 and attached to the application, the company reported its authorized capital stock as \$5,000,000. consisting of 50,000 shares of the par value of \$100. each and divided equally into common and eight per cent preferred stock, of which \$1,500,000. of the common and \$1,250,000. of the preferred was said to be outstanding. It appears that at a meeting of the stockholders held on March 18, 1925, subsequent to the filing of the application, it was voted to increase the authorized capital stock to \$25,000,000. divided into \$12,500,000. of common stock, \$1,250,000. of eight per cent preferred stock and \$11,250,000. of seven per cent preferred stock. The eight per cent preferred stock bears cumulative dividends at the rate of eight per cent per annum and is callable at the option of the company at \$102. per share. The seven per cent preferred stock bears cumulative dividends at the rate of seven per cent per annum and is callable at the option of the company at \$107.50 per share. Except as to dividend rate and

redemption price, there is no distinction or preference, between the two classes of preferred stock.

As of February 28, 1925, applicant reports its assets and liabilities as follows:

ASSETS

Fixed capital	\$14,144,726.40	
Construction work in progress	367,579.64	
Current assets:		
Materials and supplies	\$468,139.79	
Notes and Accts. Rec.	486,506.57	
Cash-operating	310,699.59	
Int. and tax funds	323,612.94	
Sinking fund	15,211.27	
Stock and securities owned	2,500.00	1,606,670.16
Deferred charges		751,706.69
Total Assets		<u><u>\$16,870,682.89</u></u>

LIABILITIES

Capital stock:		
Common	\$1,500,000.00	
Preferred	<u>1,250,000.00</u>	\$2,750,000.00
Funded Debt:		
First Mortgage bonds	8,239,200.00	
Collateral trust bonds	<u>537,400.00</u>	8,776,600.00
Current Liabilities:		
Notes Payable	250,000.00	
Accounts Payable	784,043.86	
Accruals	266,183.06	
Consumers' deposits	<u>943,786.64</u>	2,244,015.56
Reserve for accrued depreciation		1,090,651.76
Other reserves		281,578.83
Other credit balances		98,089.04
Corporate surplus		<u>1,629,749.70</u>
Total Liabilities		<u><u>\$16,870,682.89</u></u>

The company asks permission to use the proceeds to be received from the sale of the \$1,250,000. of seven per cent preferred stock it now proposes to issue for the purpose of reimbursing its treasury, of paying indebtedness and of financing the cost of additions to and betterments of its plants and properties.

In a former proceeding, application No. 10132, the company reported its uncapitalized construction expenditures as of April 30, 1924 at \$1,562,168.76, and by the decision in that matter, No. 13650, dated June 5, 1924, it was authorized to use a like amount of proceeds received from the sale of its Long Beach dis-

tributing system to finance such expenditures. Thereafter, in application No. 10583, the company reported capital expenditures made during the period from May 1 to September 30, 1924 of \$809,202.94. The Commission's order in that matter permitted the use of the remaining proceeds of \$541,552.31 received from the sale of a portion of its properties to finance in part such expenditures.

The company now reports that up to February 28, 1925 it has expended for capital purposes the sum of \$916,219.73 for which it has not been reimbursed with proceeds obtained from the sale of stock or bonds. It asks permission to use proceeds to be received from the sale of its stock to reimburse its treasury on account of such expenditures and thereafter to pay in part its notes and accounts payable. The remaining proceeds it intends to use to finance its capital expenditures to be made during the year 1925 to take care of the normal growth in business. It estimates that such expenditures will approximate \$2,065,000. and it has agreed to file with the Commission a copy of its 1925 budget showing them in detail.

Applicant asks permission to sell its stock at not less than 95 per cent of par value net. The testimony herein indicates that the company plans to market all of the stock covered by this application through its own organization and that it proposes to offer such stock for sale at par, if sold for cash, and at 101 if sold under installment contracts. It appears that the company intends to pay a commission to those selling stock, of \$1.00 a share for every share sold to present stockholders and of \$1.75 a share for every share sold to consumers who are not now stockholders. Taking into consideration all expenses incident to the sale, including commissions, applicant believes that the sale of its stock will yield it from 97 to 97.5 per cent of par value. The order herein will authorize the sale of the stock at not less than 97 per cent of face value net to the company. In the event it is found impossible to sell the stock under this condition, the company may file a supplemental petition in

this matter requesting a modification of this order in this respect.

I herewith submit the following form of order:

O R D E R

Southern Counties Gas Company of California having applied to the Railroad Commission for permission to issue and sell \$1,250,000. of its 7% preferred stock, 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 through the issue and sale of such stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or income,

IT IS HEREBY ORDERED that Southern Counties Gas Company of California be, and it is hereby, authorized to issue and sell, at not less than 97% of par value net to the company, \$1,250,000. of 7% cumulative preferred stock.

The authority herein granted is subject to further conditions as follows:

1. Applicant may use not exceeding \$916,219.73 of the proceeds to be received from the sale of the stock herein authorized to reimburse its treasury and to pay, in part, outstanding current indebtedness to which reference is made in the foregoing opinion. The remaining proceeds may be used to finance in part the estimated cost of additions and betterments to be made during the year 1925, provided, that only such expenditures as are properly chargeable to fixed capital accounts as defined by the Uniform Classification of Accounts prescribed by the Commission may be financed by such proceeds.

2. Applicant shall file with the Commission, as soon as available, a copy of its 1925 construction budget.
3. Applicant shall keep such record of the issue, sale and delivery of the 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.
4. The authority herein granted shall become effective upon the date hereof. Under such authority, no stock may be issued, sold or delivered subsequent to February 28, 1925.

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 28th day of March 1925.

W. B. Bond
C. Seavey
Egerton Shaw
George D. Squires
Ernest W. ...
Commissioners.