

LEM

Decision No . 18008 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY)
for an order authorizing the ex-)
change of its common and preferred)
stocks for like stocks having a re-)
duced par value.)

Application No. 13495

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY)
for an order authorizing the issuance)
and the sale of preferred stock.)

Application No. 13496

A. E. Peat, for applicant.

BY THE COMMISSION:

O P I N I O N

In Application No. 13495 Southern California Gas Company asks permission to issue and to exchange 240,000 shares of its common stock of a par value of \$25. each, (total par value \$6,000,000.) for 60,000 shares of its common stock, now outstanding, of a par value of \$100. each, and to issue and to exchange 160,000 shares of its preferred stock of a par value of \$25. each (total par value \$4,000,000.) for 40,000 shares of ~~common~~ ^{preferred} stock, now issued or sub- *REMS.* scribed, of a par value of \$100. each.

In Application No. 13496 Southern California Gas Company asks permission to issue and sell 40,000 shares of preferred stock, Series A, of a total par value of \$1,000,000. for the purpose of reimbursing its treasury and of financing the cost of extensions, additions and betterments to its plants and properties.

A public hearing on these two applications was held before Examiner Fankhauser in Los Angeles on February 4, 1927, at which time the matters were consolidated for the purpose of receiving evidence and for decision.

First giving consideration to Application No. 13495 it appears that recently applicant's stockholders have voted to amend its Articles of Incorporation so as to increase its authorized capital stock from \$10,000,000. to \$100,000,000.; to decrease the par value of its shares of stock from \$100. a share to \$25. a share and to exchange shares now outstanding and subscribed for on the basis of four shares of the newly authorized stock for one share of the old stock; and to provide for a new class of stock to be known as preferred stock, Series "A".

Under the Articles of Incorporation as now amended the authorized capital stock consists of \$40,000,000. of common stock, \$4,000,000. of preferred stock and \$56,000,000. of preferred stock, Series "A". The holders of preferred stock and preferred stock, Series "A", shall be entitled, without preference or distinction, as between the two classes of stock, or the holders thereof, to receive cumulative dividends at the rate of six percent per annum before any dividends are paid to the holders of the common stock, but shall not be entitled to any further dividend or share of the profits beyond the cumulative annual dividend of six percent. In case of the liquidation or the dissolution of the corporation, the holders of the preferred stock and the holders of the preferred stock, Series "A", shall be entitled, without preference or distinction, as between the two classes of stock, or the holders thereof, to be paid in full both the par value of their shares and accrued dividends before any amount shall be paid to the holders of the common stock. But on any such liquidation or dissolution, after the payment to the holders of the common stock of its par value, no further distribution shall be made to the holders of

preferred stock, Series "A", and the remaining assets and funds shall be divided pro rata among the holders of preferred stock and the holders of common stock.

The \$10,000,000. of stock authorized by the Articles of Incorporation prior to the amendment herein referred to, consisted of \$6,000,000. of common stock and \$4,000,000. of preferred stock. The company reports that at present there is outstanding the \$6,000,000. of common stock and there is either issued or subscribed, the \$4,000,000. of preferred stock. It appears, in this connection, that the company has sold all the preferred stock heretofore authorized to be issued (Decision No. 15103, dated June 25, 1925, Application No. 11219) but that certificates in some cases have not yet been issued, final payments not having been made. When such final payments are made, it is applicant's intention to issue shares of the new par value.

As said in Application No. 13496, applicant asks permission to issue 40,000 shares of the preferred stock, Series "A" of the aggregate par value of \$1,000,000. The company asks permission to sell the stock at not less than \$24. a share and to use not exceeding \$1. a share to pay commissions and selling expenses and to use the remaining proceeds to reimburse its treasury and to finance the cost of additions and betterments. The company reports that up to November 30, 1926 it had expended for additions and betterments for which it has not been reimbursed through the issue of securities, the sum of \$2,516,302.87, and it estimates its construction expenditures for 1927 at from \$2,000,000. to \$2,500,000. The company's 1927 construction budget has not yet been completed. The company has, however, filed under the Commission's General Order No. 65 detailed statements of its construction expenditures up to November 30, 1926 and monthly financial statements, A.E. Peat, applicant's treasurer and controller, requested that both the construction and financial statements be considered as part of appli-

cant's evidence in these proceedings. The statements have been examined by us and we believe warrant the granting of this application.

O R D E R

Southern California Gas Company having applied to the Railroad Commission for permission to issue stock having a reduced par value in exchange for outstanding stock, and to issue and sell additional stock, a public hearing having been held and the Railroad Commission being of the opinion that the applications should be granted as herein provided, and that the money, property or labor to be procured or paid for through the issue of such additional 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 expense or to income,

IT IS HEREBY ORDERED as follows:-

(1) Southern California Gas Company may issue \$5,000,000. of its common stock divided into 240,000 shares of the par value of \$25. each, in exchange for the \$5,000,000. of common stock now outstanding, consisting of 60,000 shares of the par value of \$100. each, such exchange to be effected upon the basis of four shares of said stock of the par value of \$25. each for each share of stock of the par value of \$100. now outstanding.

(2) Southern California Gas Company may issue \$4,000,000. of its preferred stock divided into 160,000 shares of the par value of \$25. each in exchange or substitution for the \$4,000,000. of preferred stock now outstanding or sold and subscribed for but not yet issued, consisting of 40,000 shares of the par value of \$100. each, such exchange or substitution to be upon the basis of four shares of said stock of the par value of \$25. each for each share of stock of the par value of \$100. now outstanding or subscribed.

(3) The order in Decision No. 15103, dated June 25, 1925, in Application No. 11219 is hereby modified so as to permit applicant to deliver shares of stock of the par value of \$25. each in lieu of shares of stock of the par value of \$100. each, as indicated herein.

(4) Southern California Gas Company is authorized to issue and sell, on or before December 31, 1927 at not less than \$24. a share, 40,000 shares of its preferred stock, Series "A", of the aggregate par value of \$1,000,000., and to use not exceeding \$1. per share of stock sold to pay commissions and other expenses incident to the sale thereof and to use the remaining proceeds, and such portion of the \$1. not needed to pay commissions and other expenses incident to the sale of stock, to reimburse its treasury on account of earnings expended for construction purposes to and including November 30, 1926 and to finance in part such of the costs of additions and betterments to its plants and properties made prior to November 30, 1926 as is properly chargeable to fixed capital accounts, as defined by the Uniform System of Accounts, prescribed by this Commission.

(5) Southern California Gas Company shall file with the Commission quarterly reports showing the amount and classes of stock issued in exchange for outstanding stock and the expenses incurred to effect said exchange, the first of said reports to be filed on or before April 30, 1927 covering the period from the effective date of this order to and including March 31, 1927, and subsequent reports to be filed within thirty days after the end of the quarter covered by the report.

(6) Southern California Gas Company shall file with the Commission as soon as available a copy of its 1927 construction budget and, further, shall keep such record of the issue and sale of the \$1,000,000. of preferred stock, Series "A" 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.

(7) The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 16th day of February, 1927.

Emmett
H. B. ...
O. ...

Commissioners.