

LEM

Decision No. 18064.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN COUNTIES GAS COMPANY OF)
CALIFORNIA for authority to issue)
and sell \$1,500,000. par value of)
its common capital stock.)

Application No. 13361

Le Roy M. Edwards, for applicant.

BY THE COMMISSION:

O P I N I O N

Southern Counties Gas Company of California asks permission to issue and sell for cash at par to the Pacific Lighting Corporation \$1,500,000. of its common capital stock and use the proceeds for the purposes hereinafter set forth.

Applicant has an authorized stock issue of \$25,000,000.00 divided into 250,000 shares of the par value of \$100. each. The authorized stock is divided into \$12,500,000.00 of common, \$5,000,000. of seven percent cumulative preferred and \$7,500,000.00 of six per cent preferred. The company has outstanding at this time \$1,500,000. of common and \$2,500,000.00 of its seven percent preferred stock. Its bonded indebtedness, consumers' advances, depreciation reserve and accumulated surplus, as of December 31, 1926, appear in the following balance sheet, which has been filed with the Commission as part of the company's annual report.

ASSETS AND OTHER DEBIT ACCOUNTS:

Fixed capital in service		\$17,385,528.05
Current and accrued assets		2,123,374.55
Cash	\$917,061.13	
Special deposits	2,057.55	
Notes receivable	49,004.08	
Accounts receivable	667,086.77	
Interest and dividends receivable	19,265.99	
Marketable securities	39,000.00	
Materials and supplies	<u>429,899.03</u>	
Sinking fund:		1.66
Deferred debit items		729,404.66
Unamortized debt discount and expense	709,323.76	
Work in progress	200.00	
Prepayments	13,880.90	
Miscellaneous deferred debts	<u>6,000.00</u>	
Discount on capital stock		<u>836,630.69</u>
Total		<u>\$21,074,939.61</u>

LIABILITIES AND OTHER CREDIT ITEMS:

Capital stock outstanding		\$ 4,000,000.00
Long term debt		10,943,400.00
Current and accrued liabilities		1,107,100.12
Accounts payable	\$733,391.45	
Consumers' deposits	30,066.66	
Dividends declared but unpaid	43,692.12	
Taxes accrued	147,552.06	
Interest accrued	102,397.83	
Consumers' advances for construction		1,143,895.47
Depreciation reserve		1,973,958.24
Capital surplus		97,865.73
Unappropriated surplus		<u>1,808,720.05</u>
Total		<u>\$21,074,939.61</u>

Applicant alleges that its general financial condition will be improved if it is permitted at this time to sell \$1,500,000.00 par value of its common capital stock and that the issue of such an additional amount of stock will place it in a better position to take care of its general corporate requirements and the constant demands for the improvement and betterment of its properties. It reports that it cannot at this time state definitely just how the money to be derived from the sale of the common stock will be

applied, but that it is its purpose to use said money in part to cover the cost of acquiring and constructing the properties referred to in its Exhibit "H" and to use part of the money to reimburse its treasury for payments heretofore made for capital expenditures from surplus earnings or for other general corporate purposes as to the Commission may be deemed proper.

The company has submitted statements in which it reports its uncapitalized construction expenditures at \$2,717,896.53. W. S. McFarland, Secretary of the company, testified that in his opinion the company was warranted in asking the Commission to use about \$750,000.00 obtained from the sale of the \$1,500,000.00 of stock to reimburse its treasury. An analysis of the company's financial statement supports such conclusion. We believe that the company's proposal to use but one half of the proceeds obtained from the sale of stock to reimburse its treasury makes it unnecessary to accurately determine the amount of the company's uncapitalized expenditures. We are satisfied that the company's uncapitalized construction expenditures exceed the sum of \$750,000.

Applicant in its Exhibit "H" reports its estimated capital expenditures for 1927 at \$1,750,000.00. This amount is segregated as follows:-

New business-main extensions	\$800,000.00
Holders-3000 M at \$1.20 M	360,000.00
6" line to Laguna	135,000.00
8" line Huntington Beach to Garden Grove . . .	55,000.00
Purchase of system-Huntington Beach	75,000.00
Contingency betterments	175,000.00
Betterments in advance by paving	<u>150,000.00</u>
Total.....	<u>\$1,750,000.00</u>

While applicant was not in a position to inform the Commission definitely of its expenditures for each of the items mentioned, the record does show that its total construction expenditures are estimated at the amount stated. We believe that the issue of \$1,500,000.00 of stock should be authorized, but that

\$750,000.00 of the proceeds should be placed on deposit with a bank or trust company and expended only for such purposes as the Commission will hereafter authorize by supplemental order or orders. As the company proceeds with its 1927 construction program, it should file with the Commission supplemental applications setting forth expenditures actually incurred, and request permission to use proceeds from the sale of the stock to finance such expenditures.

ORDER

Southern Counties Gas Company of California having asked permission to issue \$1,500,000.00 of common stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required by applicant and that the expenditures herein authorized 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 that Southern Counties Gas Company of California be, and it hereby is, authorized to issue and sell to the Pacific Lighting Corporation for cash at not less than par on or before October 1, 1927, \$1,500,000.00 par value of its common capital stock and use \$750,000.00 of the proceeds obtained from the sale of such stock to reimburse its treasury on account of earnings expended for the acquisition and construction of properties. The remaining \$750,000.00 obtained from the sale of said stock shall be deposited with a bank or trust company and expended for only such purposes as the Commission will hereafter authorize by supplemental order or orders.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective upon the date hereof and that 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 14th day of March, 1927.

Edmund Scott
H. B. Wendig
C. J. Seaver
Leon Whittell
Paul Shurtz

Commissioners.