

LEM

Decision No. 19301.

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 \$12,000,000.00 par value)
of 4-1/2 percent, first mortgage) Application No. 14358
gold bonds, Series 1968, secured by)
its trust deed and mortgage of date)
September 1, 1925.)

LeRoy M. Edwards, for applicant.

BY THE COMMISSION:

ORIGINAL

OPINION

Southern Counties Gas Company of California asks permission to issue and sell at 90-1/2 percent of face value and accrued interest \$12,000,000.00 of four and one half percent first mortgage gold bonds due May 1, 1968 for the purpose of paying and refunding its outstanding bonds and finance the cost of additions and betterments. The company also asks permission to issue and sell \$12,000,000.00 of temporary bonds at the same price which are to be exchanged for definitive bonds as soon as the same are available for delivery. It further requests permission to amortize the unamortized discount on its present outstanding bonds and the premium which has to be paid to redeem the same, over the same period of time that the discount would have been amortized had the bonds not been paid.

Southern Counties Gas Company of California has outstanding \$3,000,000.00 of common stock, \$2,500,000.00 of seven percent cumulative preferred stock. In addition, it has outstanding \$8,614,200.00 of first mortgage five and one half percent bonds due May 1, 1936 and \$2,500,000.00 of general and refunding mortgage six percent bonds due May 1, 1945.

The total outstanding bonds are reported at \$11,114,200.00. It is of record that the company's Board of Directors have passed a resolution calling for redemption on May 1, 1928 of all its outstanding bonds. The first mortgage bonds are redeemable at 102-1/2 percent of the principal and accrued interest, and the general and refunding mortgage bonds at 105 percent of the principal and accrued interest. The cost to redeem the bonds will be \$11,454,555.00.

The company asks permission to issue \$11,114,200.00 of four and one half percent bonds in place of the \$11,114,200.00 of six percent and five and one half percent bonds now outstanding. In addition, it requests authority to issue \$885,800.00 of four and one half percent bonds to reimburse its treasury on account of the construction of additions and betterments. In Exhibit "D" it reports that it has expended for additions and betterments, against which no securities have been issued, the sum of \$3,946,471.42. This expenditure was temporarily financed through the investment of moneys offset by the company's reserve for accrued depreciation and by the company's surplus.

In Exhibit "E" the company reports that it has expended from September 1, 1925 to November 30, 1927 inclusive, \$4,771,874.46, against which no bonds have been issued by the company. We are of the opinion that the company's reported uncapitalized construction expenditures warrants the issue of \$885,800.00 of bonds for the purpose of reimbursing its treasury.

The company's general and refunding trust deed and mortgage provides that upon the payment of applicant's outstanding five and one half percent first mortgage bonds, the bonds which may thereafter be issued under the general and refunding trust deed and mortgage may be designated as first mortgage bonds.

O R D E R

Southern Counties Gas Company of California having applied for permission to issue and sell \$12,000,000.00 of bonds, 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 bonds is reasonably required for the purposes herein authorized, 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 as herein provided, therefore,

IT IS HEREBY ORDERED AS FOLLOWS:-

1. Southern Counties Gas Company of California may issue and sell on or before June 30, 1968, \$12,000,000.00 of four and one half percent first mortgage gold bonds, Series of 1968, (due May 1, 1968), and use \$11,114,200.00 of said bonds or the proceeds obtained from the sale of such bonds, to pay or refund the outstanding bonds referred to in the foregoing opinion, and use \$885,800.00 of said bonds or the proceeds obtained from the sale of such bonds, to reimburse its treasury on account of income expended for additions and betterments described in Exhibits "D" and "E".

2. Southern Counties Gas Company of California may issue and sell on or before June 30, 1968, \$12,000,000.00 of four and one half percent of temporary first mortgage gold bonds, Series of 1968, said temporary bonds to be exchanged for definitive bonds as and when the same are available for delivery and shall use said temporary bonds or the proceeds therefrom for the purposes stated in subdivision one of this order.

3. The Southern Counties Gas Company of California may amortize the unamortized discount and expense on its bonds now outstanding, together with the premium which must be paid in connection with the payment or refunding of such bonds, on or before September 1, 1968, provided that the authority herein granted to amortize said discount and premium on or before September 1, 1968, shall not be construed as an obligation on the Commission to consider said discount, expense and premium as a part of the cost of the moneys obtained through the issue of the \$12,000,000.00 of bonds.

4. The authority herein granted will become effective when Southern Counties Gas Company of California has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Eight Hundred and Eighty-six(\$886.00) Dollars.

5. Southern Counties Gas Company of California shall keep such record of the issue and sale 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.

DATED at San Francisco, California, this 21st day of
January, 1928.

Leon Whittell

Chas. J. ...

Edward ...

Thos. J. ...

M. J. ...

Commissioners.

Fee \$886 ⁰⁰/₁₀₀

RAILROAD COMMISSION
STATE OF CALIFORNIA

PAID
FEB 2 1928

Secretary

Fee # 24800