

IBM

Decision No. 20802.

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 Two) Application No. 15220
Million (\$2,000,000) Dollars par)
value of common capital stock.)

Le Roy M. Edwards, for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

Southern Counties Gas Company of California has applied to the Railroad Commission for an order authorizing it to issue and sell at par \$2,000,000 of its common capital stock for the purpose of reimbursing its treasury for improvements and betterments to its properties.

The application shows that Southern Counties Gas Company of California has an authorized capital stock of \$25,000,000 divided equally into common stock and preferred stock. It appears that as of October 31, 1928, there was outstanding \$2,404,900.00 of preferred stock bearing cumulative dividends at the rate of six percent per annum and \$3,000,000.00 of common stock. In addition there was reported outstanding \$12,000,000.00 of first mortgage four and one half percent bonds and \$1,677,434.09 of current liabilities.

The assets and liabilities as of the same date are reported by the company as follows:-

ASSETS:

Fixed capital:			
Intangible	\$1,029,732.14		
Tangible	<u>20,904,271.35</u>		
		\$21,934,603.49	
Securities owned		43,500.00	
Current assets:			
Cash	367,962.75		
Materials and supplies	716,182.68		
Accounts and notes receivable	<u>869,337.90</u>	1,973,493.33	
Deferred charges		<u>2,349,091.39</u>	
Total assets			<u>\$26,300,678.21</u>

LIABILITIES:

Common stock		\$3,000,000.00	
Preferred stock		2,404,900.00	
Funded debt		12,000,000.00	
Current liabilities:			
Accounts payable	1,566,215.02		
Accruals	<u>111,219.07</u>	1,677,434.09	
Consumers deposits		1,389,873.93	
Reserves		2,834,514.16	
Surplus		<u>2,993,956.03</u>	
Total liabilities			<u>\$26,300,678.21</u>

In its Exhibit "F" applicant reports that up to October 31, 1928 it expended \$2,861,466.55 for construction purposes, against which it issued no securities. These expenditures, it appears, were financed through the use of earnings offset by the company's depreciation and other reserves and surplus. The company asks permission to reimburse its treasury on account of the uncapitalized expenditures. The record shows that some of the proceeds realized from the sale of stock will be used to pay current liabilities, and some to pay the cost of additions and betterments to be installed during 1929. It is estimated that the company's 1929 construction expenditures will exceed \$1,000,000.00. Its current liabilities amount to \$1,677,434.09, of which \$712,092.72 is payable to the Pacific Lighting Corporation. The order herein will require that the proceeds from the sale of the \$2,000,000.00 of stock be used to pay current

liabilities due October 31, 1928 or finance construction expenditures incurred subsequent to that date.

Applicant during the past two years has been paying dividends on its common stock at the rate of fifteen percent per annum. All of the common stock, except shares necessary to qualify directors, is owned by the Pacific Lighting Corporation. It is urged that the payment of par by the Pacific Lighting Corporation for the additional stock dilutes no one's interest. While the relation between applicant's rate base, as disclosed by previous decisions of the Commission and reports filed by applicant, and its outstanding securities, is such that we believe it should be permitted to issue the \$2,000,000.00 of common stock at par, it should be understood that if the Commission is hereafter called upon to fix applicant's rates or any of them, it will not regard the dividends paid on the common stock as representing the cost of the money obtained through the issue of such stock.

ORDER

Southern Counties Gas Company of California having applied to the Railroad Commission for permission to issue and sell \$2,000,000 of its common capital stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the issue of the stock is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that Southern Counties Gas Company of California be, and it hereby is, authorized to issue and sell, for cash, at not less than par on or before October 1, 1929, \$2,000,000. of its common capital stock to reimburse its treasury because of earnings expended for the acquisition and construction of fixed capital, and shall use the proceeds obtained from the sale of such stock to pay current liabilities outstanding on October 31, 1928,

and finance the acquisition and construction of fixed capital subsequent to October 31, 1928.

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 and sale 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 21st day of January, 1929.

Thos D. Louth
C. Seavey
Edward Scott
Leon Whitell
M. J. Carr
Commissioners.