

Decision No. 23406

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHERN CALIFORNIA GAS COMPANY, )  
 a California corporation, for an ) Application No. 17143  
 order authorizing it to issue stock.)

In the Matter of the Application of )  
 SOUTHERN CALIFORNIA GAS COMPANY, )  
 a California corporation, for an ) Application No. 17144  
 order authorizing it to issue bonds.)

T. J. Reynolds and L. T. Rice  
 for applicant.

BY THE COMMISSION:

O P I N I O N

In Application No. 17143 Southern California Gas Company asks permission to issue 32,000 shares of its \$25.00 par value common capital stock for cash at a price of not less than \$100.00 per share, and use \$2,922,481.45 of the proceeds to pay indebtedness and \$277,518.55 to reimburse its treasury on account of income expended for additions and betterments.

In Application No. 17144 Southern California Gas Company asks permission to issue and sell at not less than 92-1/2 percent of their face value and accrued interest \$12,500,000.00 of its first mortgage and refunding 4-1/2 percent thirty year gold bonds to be dated March 1, 1931 and use the proceeds to pay the outstanding bonds and current indebtedness to which reference will be made hereafter.

Southern California Gas Company in its amended authorized and Exhibit "A" reports its/outstanding stock, as of November 30, 1930, as follows:

<u>Class of Stock</u>	<u>Authorized</u>	<u>Outstanding</u>
Preferred.....	\$ 4,000,000.00	\$ 3,980,300.00
Preferred Series "A"	56,000,000.00	556,700.00
Common.....	40,000,000.00	8,000,000.00
Total....	<u>\$100,000,000.00</u>	<u>\$12,537,000.00</u>

In addition, applicant reports \$18,700.00 of preferred stock subscribed for but not issued.

The holders of the company's preferred stocks are entitled to receive cumulative dividends at the rate of 6 percent per annum before any dividends may be paid to the holders of common stock. The amount of dividends paid on common stock from 1925 on is reported as follows:

<u>Year</u>	<u>Par Value Outstanding</u>	<u>Dividends</u>
1925	\$6,000,000.00	\$ 600,000.00
1926	6,000,000.00	600,000.00
1927	8,000,000.00	690,000.00
1928	8,000,000.00	2,400,000.00
1929	8,000,000.00	2,400,000.00
1930 (11 Mos.)	8,000,000.00	2,400,000.00

It is of record that all except 40 shares of applicant's outstanding common stock is owned by Southern California Gas Corporation, all of whose outstanding common stock is owned by the Pacific Lighting Corporation. Applicant proposes to offer the 32,000 shares of its common stock to its present common stock holders at \$100.00 per share. On the basis of the current dividends on common stock, the purchasers of the proposed stock issue will realize a return of 7-1/2 percent on their investment.

As of November 30, 1930 applicant reported outstanding

in the hands of the public \$22,946,500.00 of bonds, segregated as follows:

- a. \$4,139,000.00 first mortgage 6 percent bonds payable November 1, 1950. (This does not include \$21,000.00 of bonds on deposit with Industrial Accident Commission.)
- b. \$6,170,000.00 series "B" 5-1/2 percent first and refunding mortgage bonds payable September 1, 1952.
- c. \$3,956,500.00 series "C" 6 percent first and refunding mortgage bonds payable June 1, 1958.
- d. \$8,646,000.00 5 percent first mortgage and refunding bonds payable September 1, 1957.
- e. \$ 35,000.00 first mortgage 6 percent Madera Gas Company bonds payable October 1, 1943.

In addition to the bonds, applicant reports indebtedness to affiliated companies in the amount of \$5,925,906.45. Of this amount, \$3,837,880.03 is payable to the Pacific Lighting Corporation and \$2,088,026.42 is payable to Southern California Gas Corporation. On this indebtedness, which appears on applicant's books under accounts payable, applicant is at present paying interest at the rate of 5 percent per annum.

As of November 30, 1930, applicant reports its assets and liabilities as follows:

ASSETS

CAPITAL ASSETS

<u>Fixed Capital in Service</u>		
Intangible.....	\$ 8,367,161.04	
Tangible.....	52,722,326.69	
Total.....	61,089,487.73	
<u>Fixed Capital Under Construction.....</u>		1,791,154.29
Total.....	62,880,642.02	
Miscellaneous Investments.....	473,271.47	
Total Capital Assets.....		\$63,353,913.49
<u>SUBSCRIBERS TO CAPITAL STOCK.....</u>		5,223.40

CURRENT ASSETS

Cash.....	\$ 723,449.75	
Notes Receivable.....	201,386.68	
Accounts Receivable.....	1,552,692.96	
Interest Receivable.....	8,054.12	
Marketable Securities.....	42,200.00	
Material and Supplies.....	1,037,470.29	
Total Current Assets.....		3,565,253.80

DEFERRED DEBITS

Bond Discount and Expense.....	\$ 1,248,108.49	
Miscellaneous.....	128,299.47	
Total Deferred Debits.....		1,376,407.96

SPECIAL FUNDS

Equitable Trust Co. & Citizens Nat'l Bank \$	19,406.67	
First Mortgage Sinking Fund Trustee....	2,030.00	
Total Special Funds.....		21,436.67

Total Assets.....\$68,322,235.32

LIABILITIES AND CAPITAL

CAPITAL STOCK OUTSTANDING

Common Stock.....	\$ 8,000,000.00	
Preferred-6% Cumulative.....	3,980,300.00	
Preferred Series "A" 6% Cumulative.....	556,700.00	
Total Capital Stock Outstanding.....		\$12,537,000.00

<u>FUNDED DEBT (BONDS)</u> .....		22,946,500.00
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CAPITAL STOCK SUBSCRIPTIONS

748 Shares Pref. Stock @ \$25.00 P.V.....		18,700.00
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CURRENT AND ACCRUED LIABILITIES

Accounts Payable.....	\$ 1,053,484.48	
Advances from Affiliated Companies....	5,925,906.45	
Customers Deposits.....	211,443.90	
Taxes Accrued.....	1,185,464.01	
Interest Accrued.....	216,520.01	
Dividends Accrued.....	45,314.50	
Greenwich Investment Corpn.....	6,500.00	
Total Current and Accrued Liabilities....		8,644,633.35

DEFERRED CREDITS

Construction Deposits.....	\$ 1,775,596.91	
Miscellaneous.....	139.67*	
Total Deferred Credits.....		1,775,457.24

RESERVES

General for Retirements.....	\$15,282,352.54	
Insurance.....	909,428.88	
Miscellaneous.....	621,693.40	
Total Reserves.....		16,813,474.82

SURPLUS

Appropriated-Contingency Reserve.....	\$ 1,301,131.00	
Unappropriated.....	4,285,338.91	
Total Surplus.....		5,586,469.91

Total Liabilities and Capital.....\$68,322,235.32

\* Debit

Applicant proposes to redeem at the earliest possible date its outstanding first mortgage 6 percent bonds, its outstanding first and refunding series "C" 6 percent bonds and the outstanding Madera Gas Company first mortgage 6 percent bonds. All of these bonds are redeemable at 105 percent of their face value plus accrued interest. In Exhibit No. 2 it reports that the cost of redeeming the bonds aggregates \$8,559,075.00 segregated as follows:

First mortgage 6 percent bonds.....	\$4,368,000.00
First and refunding Series "C" 6 percent bonds..	4,154,325.00
Madera Gas Company 6 percent bonds.....	36,750.00

In addition, it proposes to pay the indebtedness due the Pacific Lighting Corporation and the Southern California Gas Corporation, which, as stated above, aggregates \$5,925,906.45. The total face value of the indebtedness which applicant intends to pay aggregates \$14,077,406.45. It intends to obtain the money necessary to pay the indebtedness through the issue and sale of 32,000 shares of its common capital stock at \$100.00 per share and \$12,500,000.00 4-1/2 percent "Series due 1961" of first mortgage and refunding bonds at not less than 92-1/2 percent of their face value and accrued interest. From the sale of the bonds at this price, it would realize \$11,562,500.00, which, added to the proceeds from the sale of the proposed stock issue, namely, \$3,200,000.00, makes a total of \$14,762,500.00. The proceeds which it would realize from the sale of the securities at the prices indicated is \$277,518.55 in excess of the indebtedness which it intends to pay. It asks permission to use this balance to reimburse its treasury on account of income expended for additions and betterments.

In Exhibit No. 5 applicant reports that since June 30, 1927 it expended for fixed tangible capital the net sum of \$13,508,500. The record shows that there is included in this expenditure an overhead expense of from 10-1/2 to 11-1/2 percent. Under the indenture securing the payment of applicant's first mortgage and refunding bonds, applicant can call on the trustee to authenticate bonds equal in amount to the bonds which it intends to redeem. In this instance, applicant proposes to redeem bonds of the face value of \$8,151,500.00. Deducting the \$8,151,500.00 from the \$12,500,000.00, leaves a balance of \$4,348,500.00 which can be authenticated by the trustee because of new construction. In addition, the company would issue against new construction the 32,000 shares of its common capital stock. The reported net expenditures for additions and betterments is so much in excess of the amount of securities which applicant will issue on account of new construction, that it does

not seem necessary to make a detailed examination of the \$13,508,500.00 for the purpose of this decision. The granting of these two applications should not be construed as an approval of the \$13,508,500.00 of reported construction expenditures in their entirety.

#### O R D E R

Southern California Gas Company having applied for permission to issue stock and bonds, as indicated in the foregoing opinion, 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 through the issue of the stock and bonds herein authorized is reasonably required for the purposes stated in this order and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income and that these applications should be granted, as herein indicated, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Gas Company may, on or before July 31, 1931, issue and sell for cash at not less than \$100.00 per share 32,000 shares of its common capital stock and use the proceeds to pay indebtedness in the amount of \$2,922,481.45 and to reimburse its treasury on account of income expended for additions and betterments in the amount of \$277,518.55.

2. Southern California Gas Company may, on and after the effective date of this order and prior to July 31, 1931, issue and sell, at not less than 93 percent of their face value and accrued interest, \$12,500,000.00 of its 4-1/2 percent "Series due 1961" bonds (payable March 1, 1961) and use the proceeds for the following purposes:

- (a) To pay and refund bonds and to pay indebtedness referred to in the foregoing opinion.....\$11,154,925.
- (b) To reimburse its treasury on account of income expended for additions and betterments..... 470,075.

3. Applicant shall keep such record of the issue and sale of the stock and 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 Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted to issue stock will become effective upon the date hereof.

5. The authority herein granted to issue bonds will become effective upon the payment of the fee prescribed by Section 57 of the Public Utilities Act.

DATED at San Francisco, California, this 16th day of February, 1931.

PD Fee \$4328 <sup>10</sup>/<sub>100</sub>

RAILROAD COMMISSION

FEB 20 1931

*[Signature]*

Fee # 28746

*C. C. Seamy*

*Leon W. Kelly*

*W. J. Cunn*

*W. B. Harvey*

*James G. Stewart*

Commissioners.