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Decision No. 10701.

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 )  
additional first mortgage bonds in )  
the amount of \$1,498,416.00 and to )  
sell the same. )

**ORIGINAL**

Application No. 7531

LeRoy M. Edwards for applicant.

BENEDICT, Commissioner.

O P I N I O N .

SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA asks permission in the above entitled matter to issue and sell \$1,498,416.00 face value of its first mortgage 5-1/2 per cent. bonds due May 1, 1936, and to use the proceeds obtained from the sale of the bonds to finance in part the cost of extensions, additions and betterments described in the application.

As of December 31, 1921, applicant reports \$1,500,000.00 of common and \$296,500.00 of 8 per cent. preferred stock outstanding. In addition, applicant has sold preferred stock on an installment payment plan and on account of such sales had received the sum of \$38,081.65.

Applicant's interest bearing funded debt is reported at \$6,564,600.00 and consists of \$4,864,700.00 of first mortgage 5-1/2 per cent bonds due May 1, 1936; \$700,000.00 of second mortgage 6 per cent. serial sinking fund gold notes due on or before December 1, 1924, and \$999,900.00 of 8 per cent. collateral trust bonds due December 1, 1930. The payment of collateral trust bonds is secured by the deposit of \$1,312,400.00 of first mortgage bonds, which bonds are not included in the \$4,864,700.00 mentioned above.

The following figures submitted by applicant reflect the growth in its business during the past four years:-

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Plant and Invest- ments,.....	\$4,327,843.61	\$6,389,458.39	\$7,127,357.41	\$8,408,900.14
Gross Earnings....	\$1,505,012.85	\$2,210,610.91	\$2,905,357.86	\$4,251,023.80
Operating Expenses:	\$1,084,515.04	\$1,687,714.72	\$2,285,851.25	\$3,483,707.03
Available for inte- rest, amortization: and dividends,....	\$ 420,497.81	\$ 522,896.19	\$ 619,506.61	\$ 767,316.77
Meters in service.:	45,381	62,336	73,322	85,388
Cubic feet of gas : sold.....	3,276,847,900	4,444,344,800	5,581,673,200	6,781,324,600

Applicant in its Exhibit No. "1" reports that from September 1, 1921 to December 31, 1921, it expended \$370,338.33 for permanent extensions, additions, betterments and improvements to its existing plants and properties and that no bonds have been issued against such expenditures. It asks authority to issue on account of such expenditures, bonds in the amount of \$296,270.66, which amount is equivalent to 80 per cent of the expenditures. Applicant further reports that because of construction expenditures incurred prior to September 1, 1921, the trustee under its first mortgage is authorized to certify bonds in the amount of \$69,990.08. The expenditures used as a basis for the issue of \$69,990.08 of bonds were examined by the Commission in connection with applicant's fifth supplemental petition in Application No. 6306. Adding the \$296,270.66 and the \$69,990.08 makes a total of \$366,260.74 face value of bonds which applicant asks permission to issue and sell forthwith at not less than 84-1/2 per cent. of their face value and accrued interest.

Applicant shows in a statement attached to the petition that during the year 1922, it will be called upon to expend \$1,415,520. for betterments, extensions and improvements to its existing plants and system. The estimated construction expenditures are summarized by applicant

as follows:-

Betterments -all districts . . . . .	\$573,020.
Extensions and replacements necessary on account of street paving not covered elsewhere, . . . .	40,000.
Cost of taking on 12,000 new consumers, such cost covering services, regulators, meters and main extensions up to 100 feet per consumer, . . . .	600,000.
Additional motor trucks and automobiles required by the growth of applicant's business, . . . . .	28,500.
Engineering and superintendence, . . . . .	32,000.
Insurance during construction, . . . . .	10,000.
Miscellaneous construction expenditures, . . . . .	22,000.
Contingencies, . . . . .	25,000.
Distribution system -Fillmore, . . . . .	25,000.
Total, . . . . .	<u>\$1,415,520.</u>

The trustee under applicant's first mortgage is authorized to certify bonds equal in amount to 80 per cent. of the cost of extensions, additions and betterments to applicant's plants and properties, provided of course, that applicant has complied with the other conditions of the mortgage. If applicant were to incur its estimated construction expenditures and comply with the terms of its first mortgage, the trustee would be permitted to certify bonds in the amount of \$1,132,416. Applicant does not at this time ask permission to sell bonds on account of construction expenditures incurred or to be incurred during 1922. It intends to file from time to time supplemental petitions setting forth its actual construction expenditures and use such construction expenditures as the basis for the sale of its first mortgage bonds. At present, applicant does ask permission to sell \$366,000.00 of bonds for the purpose of financing in part construction expenditures made prior to December 31, 1921. The money obtained from the sale of such bonds will be used to liquidate current indebtedness.

I herewith submit the following form of Order:

ORDER

SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized 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;

IT IS HEREBY ORDERED, that SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA be, and it is hereby, authorized to issue \$1,498,416.00 face value of its first mortgage 5-1/2 per cent. bonds due May 1, 1936.

The authority herein granted is subject to the following conditions:-

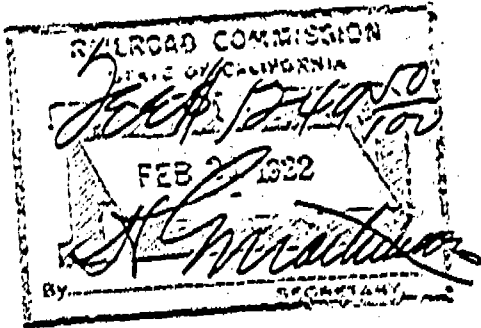
- 1.--Of the bonds herein authorized to be issued, applicant may sell \$366,000.00 at not less than 84-1/2 per cent. of their face value plus accrued interest and use the proceeds to finance in part the cost of extensions, additions and betterments to its plants and properties installed prior to December 31, 1921 and referred to in this application, - it being understood that the proceeds will eventually be used for the payment of current indebtedness.
- 2.--The remaining \$1,132,416.00 face value of bonds herein authorized to be issued shall not be sold or otherwise disposed of by applicant except as hereafter authorized by the Railroad Commission.
- 3.--The authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act
- 4.--Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein autho-

rized 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 in so far as applicable is made a part of this order.

5.--The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before December 31, 1922.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17<sup>th</sup> day of February, 1922.



H. C. Brundage  
H. D. Loveland  
W. F. Brundage  
Commissioners.