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Decision No. 11037

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

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In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY) Application No. 8271
for an order authorizing the issuance)
and sale of bonds.)

A.E. Peat for applicant.

BRUNDIGE, Commissioner.

O P I N I O N

In this proceeding SOUTHERN CALIFORNIA GAS COMPANY asks permission to issue and pledge with Union Bank and Trust Company of Los Angeles, trustee, under its first and refunding mortgage, \$2,000,000.00 of its first mortgage bonds, and to issue and sell, a like amount of its first and refunding mortgage 5½ per cent. thirty year Series "B" gold bonds.

By Decision No. 9019, dated May 28, 1921, the Railroad Commission authorized applicant to execute a mortgage or deed of trust securing a total authorized issue of \$25,000,000.00 of first and refunding mortgage bonds. This mortgage, among other things, provides that the uncertified first mortgage bonds of the company shall, from time to time, be certified by the trustee under the first mortgage and deposited with the trustee under the first and refunding mortgage. Heretofore, the Commission, in various proceedings before it, has authorized the issue and deposit of \$2,865,000.00 of such first mortgage bonds as security, in part, for a like amount of first and refunding bonds. The company now asks permission to issue and pledge an additional \$2,000,000.00 of first mortgage bonds in accordance with the provisions of the new

mortgage. It appears that at this time there remain uncertified \$2,569,000.00 of first mortgage bonds.

Applicant also asks permission to issue and sell, at not less than 95.65 per cent. of face value, \$2,000,000 of first and refunding bonds for the purpose of financing the cost of constructing extensions, additions and betterments to its properties. Under the first and refunding mortgage, applicant is entitled to issue bonds up to 75 per cent. of the cost of new construction, provided that the net earnings of the company for twelve months out of the preceding fourteen months shall have been at least one and three fourths times the interest on all bonds then outstanding and on the bonds which the trustee is asked to authenticate.

The testimony of A.E. Peat, applicant's comptroller, shows that prior to July 31, 1922, the company expended for capital purposes the sum of \$1,407,355.47 for which it has not been reimbursed by the issue of bonds. Seventy-five per cent. of \$1,407,355.47 amounts to approximately \$1,055,516.60, which is the amount of bonds applicant now asks permission to issue against its construction expenditures made prior to July 31, 1922. The remainder of the \$2,000,000.00 of bonds herein applied for, namely, - \$944,483.40, will be sold to finance the cost of additions and betterments to be made subsequent to July 31, 1922. Applicant proposes to place the proceeds from the sale of such bonds in a special deposit to be withdrawn from time to time upon supplemental orders of the Commission upon the showing by the company that moneys have been expended for capital additions. It is of record that petitioner will need in excess of \$1,000,000.00 to complete construction work now in progress.

The company has an authorized stock issue of \$10,000,000. divided into \$4,000,000.00 of preferred stock and \$6,000,000.00 of common. All of the common and \$875,000.00 of the preferred is outstanding. The company also reports issued \$2,865,000.00 of Series "A" first and refunding mortgage seven per cent. bonds and

\$4,566,000.00 of first mortgage six per cent. bonds, exclusive of \$2,865,000.00 pledged as collateral. In addition, applicant shows current liabilities as of August 31st, as follows:

Notes Payable,	\$730,000.00
Accounts Payable:	
Audited Vouchers,.....	\$531,022.00
Unvouchered Invoices,.....	165,912.93
Pay Rolls,.....	71,255.19
Purchase Contracts,.....	25,630.79
Deposits, Propayments,.....	413,394.94
Total Accounts Payable,	1,207,215.85
Accruals,	200,308.78
<u>Total,</u>	<u>\$2,137,524.63</u>

Testimony herein indicates that the company proposes to use proceeds from the sale of its bonds, after reimbursement, to pay in part its current liabilities.

I herewith submit the following form of Order:

O R D E R

SOUTHERN CALIFORNIA GAS COMPANY having applied to the Railroad Commission for permission to issue, sell and pledge bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for 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 CALIFORNIA GAS COMPANY be, and it is hereby, authorized to issue and deposit with the trustee under its first and refunding mortgage \$2,000,000.00 of its first mortgage six per cent. bonds due November 1, 1950, and to issue and sell, at not less than 95.65 per cent. of face value plus accrued interest \$2,000,000.00 of its first and refunding

mortgage 5-1/2 per cent. thirty-year gold bonds.

The authority herein granted is subject to the following conditions:

- 1.--The proceeds obtained from the sale of \$1,055,516.60 of the first and refunding mortgage bonds herein authorized may be used by applicant to finance, in part, the cost of constructing additions and betterments to its properties prior to July 31, 1922. The proceeds from the sale of the of the remaining \$944,483.40 of said first and refunding bonds shall be deposited with the trustee and expended only for such purposes as the Railroad Commission may hereafter authorize.
- 2.--Southern California Gas Company shall keep such record of the issue, deposit 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, in so far as applicable, is made a part of this order.
- 3.--The authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee amounts to \$1,500.00
- 4.--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 29th day of September, 1922.

Fee \$1500.00

SEP 29 1922

H. M. Matheson

H. H. O'Connell
Erving Martin
Chas. H. Lowell

Commissioners

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