

HS

Decision No. 11493.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY)
for an order authorizing the issu-)
ance and sale of preferred stock.)

Application No. 8552.

A.E. Peat for applicant.

BRUNDIGE, Commissioner.

O P I N I O N

SOUTHERN CALIFORNIA GAS COMPANY asks permission to issue and sell at not less than \$90.00 per share 10,000 shares (\$1,000,000. per value) of six per cent. cumulative preferred stock for the purpose of reimbursing its treasury on account of earnings invested in additions and betterments.

Applicant has an authorized stock issue of \$10,000,000. divided into \$4,000,000. of six per cent. cumulative preferred and \$6,000,000.00 of common. All of the common and \$875,000.00 of the preferred stock was outstanding on November 30, 1922. As of the same date, the company's funded debt amounted to \$9,430,655.79 and consisted of the following:

First Mortgage 6% bonds due 1950,	\$4,491,000.00
First and Refunding Mortgage Series "A" 7% bonds, due 1951,	2,865,000.00
First and Refunding Mortgage Series "B" 5½% bonds due 1952,	2,000,000.00
Union Oil contracts, 6%, 1925 (Payable \$3,180 annually July 1st),	9,540.00
Western Fuel Gas & Power Contract -1927 (Payable \$325. monthly, without interest),	15,115.79
Notes Payable (Maturity over one year),	50,000.00
Total,	<u>\$9,430,655.79</u>

The company's current assets are in excess of its current liabilities.

For the twelve months ending November 30, 1922, Southern California Gas Company reports operating revenues and other income, operating expenses and other disbursements as follows:

Operating Revenue,		\$5,599,858.19
Operating Expenses:		
Natural Gas purchased for Resale,.....	1,917,241.49	
Maintenance,.....	234,838.40	
Operation including General,.....	1,380,255.70	
Uncollectible Bills,.....	16,351.22	
Taxes -Local,.....	480,783.31	
-Federal,.....	137,877.56	
Total Operating Expense, Uncollectible Bills and Taxes,....		<u>4,167,347.68</u>
OPERATING INCOME -before Depreciation,		1,432,510.51
Other Income -Rent,.....	19,160.13	
-Interest,.....	27,837.82	
-Forfeited Construction Deposits	17,214.37	
-Net Income from Oil Wells - before Depreciation,....	8,756.36	<u>72,968.68</u>
GROSS INCOME -before Depreciation,		\$1,505,479.19
Deductions -Bond Interest,.....	483,124.56	
Other Interest,.....	19,955.19	
Bond Discount and Expense,....	22,681.45	<u>525,761.20</u>
NET INCOME -before Depreciation,		979,717.99
Depreciation -Gas Plant and Equipment,....	288,965.06	
-Oil Well Operations,.....	8,756.36	<u>297,719.42</u>
NET INCOME,		<u>\$681,998.57</u>

Applicant since 1913 has financed its construction expenditures through the issue of bonds, notes and other evidences of indebtedness, and through the investment of earnings represented by reserves and surplus. It reports that since the date (March 12, 1919) of Decision No. 6161, it expended for extensions, additions and betterments the sum of \$1,689,784. 50, against which no bonds or stock have been issued. It is for the purpose of permanently capitalizing part of these expenditures, and through such capitalization obtain funds to pay the cost of constructing additional extensions, additions and betterments that applicant desires permission to issue \$1,000,000 of stock.

Applicant will endeavor to sell the stock through its own organization. It asks permission to expend an amount not

exceeding \$3.50 per share in payment of expenses incurred in connection with the selling of the stock. It is of record that all of the remaining proceeds will be used to pay part of the cost of extensions, additions and betterments set forth in Exhibit "B" filed in this proceeding. In that exhibit, the company estimates its construction expenditures during 1923 at \$3,100,000.00. The \$3,100,000.00 is made up of the following items:

1 - 10 million cubic ft. Holder -complete,	\$700,000.
1 - 1/4 " " " Compressor -complete,	40,000.
16" and 12" line from Hill Street to Beverly -	
9 1/2 miles....	156,000.
(to reinforce existing facilities to serve	
(Wilshire and Santa Monica.)	
12" line from Plant #1 to Plant #3,	75,000.
Mains, Services, Meters, etc.,	2,600,000.
Store Building,	450,000.
Miscellaneous Reinforcing Lines,	79,000.
Total,	<u>\$3,100,000.</u>

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 \$1,000,000.00 of six per cent. cumulative preferred stock, 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 such issue is reasonably required for the purpose or purposes specified herein and that the expenditures 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 for the purpose of reimbursing its treasury on account of earnings expended for extensions, additions and betterments \$1,000,000.00 of its six per cent. cumulative preferred stock.

The authority herein granted is subject to the following conditions:

- (1) --The stock herein authorized shall be sold by applicant for not less than ninety per cent. of its par value.
- (2) --Of the proceeds realized from the sale of the stock, an amount equivalent to not more than \$3.50 per share of the stock sold may be expended by applicant in payment of commissions and expenses incurred in connection with the sale of the stock.
- (3) --The remainder of the proceeds obtained from the sale of the stock and such portion of the \$3.50 referred to in Condition (2) of this order as may not be needed to pay commissions and expenses for selling the stock, shall be used by applicant to pay in part the cost of such extensions, additions and betterments described in Exhibit "B" filed in this proceeding as may be properly chargeable to capital accounts under the uniform system of accounts prescribed by the Railroad Commission.
- (4) --Southern California Gas Company 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 in so far as applicable is made a part of this order.
- (5) --The authority herein granted will become effective on the date hereof but will expire on December 15, 1923.

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 _____ day of January, 1923.

CL Seavey
Irving Martin
W. H. Anderson
Ernest Shore
J. L. Whitely
Commissioners