

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application)
of SOUTHERN COUNTIES GAS COMPANY)
OF CALIFORNIA for authority to)
issue additional bonds in the)
amount of \$85,000.)

Application No. 2542

LeRoy Edwards for applicant.

LOVELAND, Commissioner.

O P I N I O N

In the matter herein Southern Counties Gas Company applies for authority to issue \$456,500 of its First Mortgage 20 year bonds. It proposes to apply the proceeds upon its notes and accounts and upon proposed additions and betterments.

The applicant represents that under the terms of its mortgage and deed of trust it is now entitled to issue bonds in the sum of only \$85,000 and it requests that the Commission at this time make a specific order as to said amount and that the authority to issue the balance of said \$456,500 of bonds be deferred to supplemental orders when applicant shall have made a showing which will justify the issue of these additional bonds under the terms of its mortgage.

In Decision No. 3360, issued by this Commission on May 22, 1916, Southern Counties Gas Company was authorized to purchase certain gas properties of the Southern California Edison Company and of the Long Beach Consolidated Gas Company. The applicant has an outstanding issue of 15,000 shares of common stock of the par value of \$1,500,000 and an issue of

Decision No. 3248

\$2,500,000 of 5½% 20 year bonds.

In detailed exhibits filed in connection with this proceeding the applicant states that it has expended to August 31, 1916 for capital purposes the sum of \$235,834.87 and the expenditures thus made are represented by its notes and accounts payable and in part by moneys expended from income.

In addition, the applicant presents estimates of proposed construction expenditures to be completed by July 31, 1917 in the sum of \$356,789.40.

The items which make up the expenditures to August 31, 1916, which have not been capitalized by an issue of stocks or bonds are listed by the applicant in Exhibit "F" as follows:

General	\$ 11,501.03
Huntington Beach Natural Gas Line	32,519.97
Coyote Hills " " "	23,915.91
Whittier-La Habra " " "	150.17
Pomona-Brea " " "	218.17
Pomona-Covina Connection	10,254.13
Santa Ana	10,395.05
Tustin	1,509.21
Orange	3,707.29
El Modina	9,269.30
Garden Grove	1,597.03
Anaheim	5,709.83
Placentia	378.88
Fullerton	4,331.15
Buena Park	4,087.52
Whittier	5,718.06
La Habra	2,272.23
Pomona	9,770.08
Chino	75.44
Claremont	265.31
Lordsburg	220.23
San Dimas	178.87
Covina	469.91
Azusa	222.65
Glendora	347.05
Monrovia	2,096.95
Arcadia	944.08
South Santa Anita	152.37
El Monte	554.85
Sierra Madre	764.33
Long Beach	12,048.09
Seal Beach	675.83
San Pedro	11,079.38
Wilmington	277.73

Santa Monica	\$ 10,844.21
Sawtelle	2,680.60
Ocean Park	6,310.99
Venice	4,178.73
Palms	250.03
Culver City	614.52

The items include organization expenses in connection with the enlarged and reorganized Southern Counties Gas Company and expenditures for transmission and distribution mains. The applicant is introducing natural gas into new territory and is establishing service in several towns which had not heretofore been supplied. This includes the introduction of natural gas into Huntington Beach and Pomona. As a result of these and other improvements the entire system of Southern Counties Gas Company will be under natural gas service with the exception of Monrovia and the surrounding territory.

A beginning had been made in August on the new Pomona-Brea line and work will be carried forward on this enterprise during the succeeding months, thus bringing the natural product into Pomona.

The consolidation and bond issue sanctioned in this Commission's decision No. 3360, heretofore referred to, were authorized upon the understanding that additional improvements costing \$100,000 were to be installed without further capitalization. At the hearing upon the application herein the Southern Counties Gas Company renewed this stipulation and the company has therefore voluntarily deducted \$100,000 from the total of \$235,834.87.

In this item of \$235,834.87 are organization costs amounting approximately to \$43,000. The applicant has submitted a detailed statement, as Exhibit "I", setting forth all of the items which go to make up the total of its organization expenses.

If we eliminate all of the organization expense there would remain the sum of \$92,000, which might readily be capitalized by the issue of bonds. I believe, however, that certain of the organization expenditures might properly be capitalized.

and I am willing to recommend that the applicant be granted authority as to \$15,000 of such expenditures. We would have, therefore, actual additions and betterments to August 31, less \$100,000 to remain uncanceled -----\$92,000

Organization expenses ----- 15,000
 Total -----\$107,000

Applicant may, under its mortgage and deed of trust, issue bonds up to 80% of this amount when its net earnings shall have been one and one-half times the interest on its outstanding bonds and the bonds proposed to be issued. The Southern Counties Gas Company is now able to make such a showing as would entitle it to issue \$85,000 of bonds. The applicant has a contract for the sale of its bonds at 92 1/4% of their face value and will use the proceeds for the liquidation of a portion of its notes payable, submitted in Exhibit "G", in the sum of \$85,586.43 and for the liquidation of a part of its accounts payable in the sum of \$157,928.87, filed in this proceeding as Exhibit "H".

Request is also made for authority to issue bonds for contemplated improvements during the period ending July 31, 1917. These contemplated improvements embrace the completion of the Pomona-Brea gas line which will enable the applicant to acquire substantial additional supply of natural gas from the Brea Canyon Oil Company. This line will cost approximately \$85,000. An additional transmission main is contemplated between Whittier and Monrovia. The needs of the applicant will require an extensive investment in distribution pipe to better serve its existing territory and to enter new fields along its lines. An estimate has been submitted in the sum of \$356,789.40 for these

improvements which the applicant has submitted in Exhibit "F"
as follows:

Huntington Beach Natural Gas Line	\$4,000.00
Pomona-Brea " " "	84,904.68
Pomona-Covina Connection	7,745.87
Santa Ana)	
Tustin)	
Orange)	
El Modina)	47,488.53
Garden Grove)	
Anaheim)	
Placentia)	
Fullerton)	
Buena Park)	
Whittier)	7,603.49
La Habra)	
Pomona)	
Chino)	
Claremont)	
Lordsburg)	29,790.81
San Dimas)	
Covina)	
Azusa)	
Glendora)	
Monrovia)	
Arcadia)	
South Santa Anita)	9,968.52
El Monte)	
Sierra Madre)	
Long Beach)	
Seal Beach)	
San Pedro)	24,245.74
Wilmington)	
Santa Monica)	
Sawtelle)	
Ocean Park)	18,482.20
Venice)	
Palms)	
Culver City)	

Under its mortgage and deed of trust the applicant may issue bonds up to 80% of the projected improvements in the sum of \$356,789.40, or in the amount of \$284,800. We find, therefore, that the applicant may be properly authorized to issue \$85,000

of bonds at this time and hereafter \$284,800 of bonds upon supplemental orders when it shall have made a showing in further detail of its projected improvements and shall have established to the satisfaction of this Commission that it has complied with the provisions of its mortgage and deed of trust.

Accordingly I submit the following form of order:

O R D E R

Southern Counties Gas Company having applied to this Commission for authority to issue \$456,500 of bonds, as set forth in the foregoing opinion, and a hearing having been held, and it appearing that the bonds herein authorized to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Southern Counties Gas Company be granted authority and it hereby is granted authority to issue \$370,000 of its first mortgage 5½% 20-year bonds.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized shall be issued so as to net the applicant not less than 92½% of their face value plus accrued interest thereon.

2. \$85,000 face value of said bonds may be issued forthwith to complete the capitalization of applicant's expenditures for additions and betterments and organization to Exhibit "F", for the purpose of reimbursing applicant's and including August 31, 1916, as listed in applicant's treasury; the money received from the proceeds of said \$85,000 of bonds to be applied upon applicant's notes payable, listed with this

Commission in Exhibit "G" in the sum of \$85,586.43 and upon applicant's accounts payable listed with the Commission in Exhibit "H" in the sum of \$157,928.87.

3. The balance of the bonds herein authorized to be issued in the sum of \$285,000 shall be issued for the purpose of providing funds to pay 80% of the cost of applicant's proposed improvements from August 31, 1916, to July 31, 1917, as set forth in the foregoing opinion.

4. The \$285,000 of bonds herein authorized to be issued shall be issued only upon supplemental order from this Commission specifying in further detail the purposes for which said bonds shall be issued, after satisfactory evidence shall have been presented to this Commission that the applicant has complied with that provision of its trust deed which requires that bonds shall be issued only when the company's net earnings for the twelve month period shall have been one and one-half times the interest on the bonds outstanding plus the bonds proposed to be issued.

5. Southern Counties Gas Company shall keep accurate separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued and on or before the 25th day of each month the company shall make a verified report to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

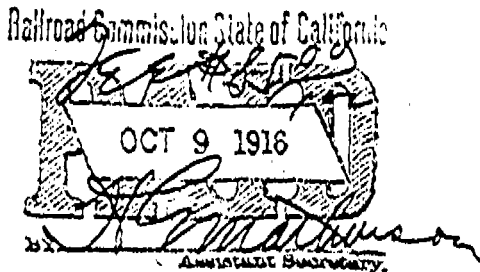
6. The authority herein granted to issue bonds is conditioned upon the payment of the fee prescribed by the

Public Utilities Act.

7. The authority herein given to issue bonds shall apply only to such bonds as shall have been issued on or before June 30, 1917.

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 2nd day of October, 1916.



Max Thelen
H. H. Loveland
W. H. Ford
Edwin O. Edgerton
Commissioners.