

MM

Decision No. 6181

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SOUTHERN CALIFORNIA GAS COM- )  
PANY for an order authorizing the )  
issue of bonds. )

Application No. 4392.

O'Melveney, Millikin and Tuller by Sayre Macneil,  
for applicant.

EDGERTON and BRUNDIGE, Commissioners.

O P I N I O N

In this application, as amended, Southern California Gas Company asks authority to issue \$843,000.00 face value of its first mortgage 40-year 6 per cent gold bonds, due November 1, 1950.

Applicant reports \$6,000,000.00 of common, \$875,000.00 of 6 per cent cumulative preferred stock and \$3,496,000.00 of bonds outstanding on December 31, 1918. The bonded debt consists of \$3,466,000.00 of 6 per cent Southern California Gas Company bonds and \$30,000.00 of 5 per cent Riverside Light & Fuel Company bonds, the payment of which has been assumed by applicant.

Applicant's balance sheet as of December 31, 1918,  
 filed with the Railroad Commission, shows the following:

ASSET ACCOUNTS:

Fixed Capital .....	\$10,428,275.71
Cash, .....	27,421.59
Special Deposits .....	71,000.00
Notes Receivable .....	16,250.00
Accounts due from Consumers and Agents .....	170,717.28
Miscellaneous Accounts Receivable .....	73,677.87
Liberty Bonds .....	53,500.00
Materials and Supplies .....	225,998.13
Prepaid Expense .....	3,448.86
Unamortized Discount on Stock .....	150,000.00
Unamortized Discount on Bonds .....	401,068.64
Other Suspense .....	11,518.53
Construction Work in Progress .....	2,729.23
Oil Wells .....	176,422.69
Midway Gas Co. bonds in escrow-Equitable Trust Co..	136,800.00
Gas plants to be amortized .....	59,963.09
TOTAL ASSET ACCOUNTS .....	\$12,008,791.62

LIABILITY ACCOUNTS:

Capital Stock .....	\$ 6,875,000.00
Funded Debt .....	3,496,000.00
Notes Payable .....	170,980.79
Accounts Payable .....	316,539.06
Interest Accrued .....	36,180.49
Taxes Accrued .....	10,500.23
Dividends Declared .....	13,125.00
Reserve for Accrued Depreciation .....	761,452.60
Other Reserves from Income or Surplus .....	4,233.00
Reserve for Accrued Depreciation - automobiles ....	16,510.58
Corporate Surplus Unappropriated, .....	308,269.87
TOTAL LIABILITY ACCOUNTS ...	\$12,008,791.62

Applicant in its income account and corporate surplus account for the years ending December 31, 1916, 1917 and 1918 shows revenues and expenses as follows:-

<u>I t e m</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>
Operating Revenues	\$976,518.89	\$1,405,047.67	\$2,096,530.07
Operating Expenses	739,282.72	1,052,653.73	1,665,553.22
Net Operating Revenues	237,236.17	352,393.94	430,976.85
<u>Non-Operating Revenues:</u>			
Miscellaneous Rent Revenues	1,560.00	1,660.00	1,520.00
Interest Revenue on Funded Debt Owned	20,050.00	9,120.00	9,120.00
Miscellaneous Interest Revenues	1,325.70	1,236.57	3,101.14
Miscellaneous Non-Operating Revenue	47,536.01	—	—
Total	70,471.71	12,016.57	13,741.14
<u>Gross Corporate Income</u>	507,707.88	364,410.51	444,717.99
<u>Deductions:</u>			
Uncollectible Bills	4,320.61	5,084.50	5,503.86
Interest on Funded Debt	194,700.00	199,143.33	209,460.00
Other Interest	25,572.27	12,357.72	11,645.50
Amortization of Debt Discount and Expense	8,022.42	10,192.68	12,598.92
Total Deductions	232,615.30	226,778.23	239,208.28
<u>Balance to Corporate Surplus Account:</u>	75,092.58	137,632.28	205,509.71
<u>Corporate Surplus Account:</u>			
Surplus beginning of Year	*61,716.32	16,058.93	165,623.51
<u>Additions:</u>			
Profit from Income Account	75,092.58	137,632.28	205,509.71
Miscellaneous	5,020.00	15,370.81	—
Total Additions	80,112.58	153,003.09	205,509.71
Surplus and Additions	18,396.26	169,062.02	371,133.22
<u>Deductions:</u>			
Dividends	—	—	13,125.00
Miscellaneous	2,337.33	3,438.51	49,738.35
Total Deductions	2,337.33	3,438.51	62,863.35
<u>Surplus - End of Year</u>	16,058.93	165,623.51	308,269.87

\* Deficit

Applicant has entered into an agreement to purchase the properties of Economic Gas Company at a cost of \$800,000.00. To secure the necessary funds, applicant intends to issue and sell \$800,000.00 of its bonds. The properties which it will acquire are subject to the following liens:-

Account, Union Oil Company contract of August 1, 1915 .....	\$1,750.00
Account, Union Oil Company contract of July 1, 1915 .....	20,510.00
Account, Temple-Bullard note .....	<u>20,000.00</u>
Total .....	\$42,260.00

The trustee under applicant's mortgage has no authority to certify bonds for the acquisition of property subject to any lien. It is possible that the trustee will require the deposit of \$43,000.00 because of the \$42,260.00 of indebtedness. For this purpose applicant asks permission to issue \$43,000.00 of bonds. It agrees not to sell any of the \$43,000.00 of bonds without a further order from the Railroad Commission.

The testimony of Mr. A. E. Peat, Treasurer of Southern California Gas Company, exhibits and reports filed by applicant show that it may be permitted to issue the \$843,000.00 of bonds referred to herein.

We herewith submit the following form of Order:

#### O R D E R

SOUTHERN CALIFORNIA GAS COMPANY having applied to the Railroad Commission for authority to issue \$843,000.00 of 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 by such issue is reasonably required for the purpose or purposes specified in the Order, and that the expenditures for such purpose or purposes 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, granted authority to issue \$843,000.00 face value of its 6 per cent first mortgage gold bonds, due November 1, 1950, upon the following conditions and not otherwise:-

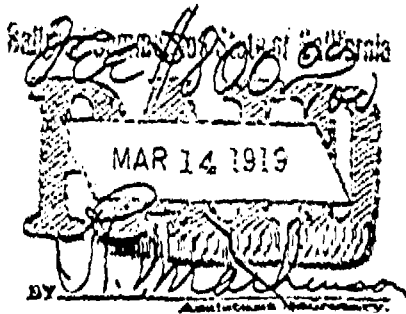
- (1)--\$43,000.00 of the bonds herein authorized to be issued, shall be deposited with the Trustee and not sold by the company without further order from the Railroad Commission.
- (2)--\$800,000.00 of the bonds herein authorized to be issued, may be sold, for cash, by the company for not less than 90-1/4 per cent of their face value plus accrued interest, and the proceeds from the sale of said bonds used to acquire properties of Economic Gas Company, the sale of which is authorized in the decision relating to Application Number 4391.
- (3)-Southern California Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports 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.

4.-The authority herein granted is conditioned upon the payment of the fee prescribed in the Public Utilities Act.

5.-The authority herein granted shall apply only to such bonds as may be issued on or before October 1, 1919.

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 12<sup>th</sup> day of March, 1919.



Edwin C. Egey  
H. D. ...  
Frank R. ...  
H. W. Brundage  
Erving Martin

Commissioners.