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ORIGINAL

Decision No. 6689

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
and sell additional bonds in the amount
of \$631,500.00

Application No. 4966.

Hunsaker, Britt & Edwards, by LeRoy M. Edwards,
for applicant.

LOVELAND, Commissioner.

O P I N I O N

Southern Counties Gas Company of California asks permission to issue \$631,500.00 of its first mortgage 5-1/2 per cent bonds, due May 1, 1936.

In Exhibits filed, applicant reports the cost of extensions, additions and betterments against which it has issued no bonds as follows:-

Cost of extensions, additions and betterments installed prior to June 1, 1919	\$ 21,909.38
Cost of extensions, additions and betterments installed during June and July	227,633.84
Cost of extensions, additions and betterments installed during August	<u>83,377.41</u>
Total	\$332,920.63

To pay for the extensions, additions and betterments applicant has incurred current indebtedness represented by notes and accounts payable. It asks permission to issue forthwith at not less than 85 per cent of their face value and accrued interest, \$266,000.00 of the \$631,500.00 of bonds applied for and to use the proceeds to pay current indebtedness. The \$266,000.00 is approximately equal to 80 per cent of the cost of extensions, additions and betterments.

The testimony shows that the \$227,633.84 expended during June and July includes \$5,537.48, representing expenditures in connection with and incidental to the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company. It is urged that the \$5,537.48 represents a part of the cost of the Ventura and Santa Barbara properties and that therefore the company should be permitted to issue bonds equal in amount to 80 per cent of the \$5,537.48.

In Decision Number 6362, dated May 29, 1919, wherein the Commission authorized Southern Counties Gas Company of California to issue bonds and acquire the gas properties of Southern California Edison Company and Santa Barbara Gas and Electric Company, the Commission, after referring to the condition of the properties and the purchase price, concluded that Southern Counties Gas Company of California should issue for the purpose of acquiring the properties not in excess of \$620,000.00 of bonds, an amount equivalent to the depreciated historical reproduction cost of the properties as found by the Commission's engineers.

While it is true that the \$5,537.48 represents expenditures incidental to the purchase of the Santa Barbara and Ventura properties, the fact remains that the expenditure of \$5,537.48 has not in any degree enhanced the value of the properties so far as giving added service to the public. It occurs to me that the \$620,000.00

of bonds, the issue of which the Commission has heretofore authorized, for the purpose of paying in part for the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company, represents the maximum amount of bonds which should be issued against the purchase price of the properties. Deducting the \$5,537.48 from the \$332,920.63 expended to August 31, 1919, leaves a balance of \$327,383.15. Against the expenditure of the \$327,383.15, applicant may be, in my opinion, properly permitted to issue bonds in the amount of \$261,906.52.

As of August 31, 1919, applicant reports \$1,500,000.00 of capital stock, \$4,343,000.00 of first mortgage 5-1/2 per cent bonds and \$400,000.00 of 2-year 6 per cent debentures outstanding. In addition applicant reports \$529,513.11 of notes and \$381,117.69 of accounts payable. The notes and accounts payable aggregate \$910,530.80. The notes payable reported at \$529,513.11 include notes having a face value of \$310,500.00 issued in connection with the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company. At the hearing applicant stipulated that no part of the proceeds obtained from the sale of the bonds herein authorized would be used to pay any of the indebtedness incurred in connection with the purchase of the Ventura and Santa Barbara properties.

In Exhibit "D" attached to the petition applicant estimates its capital expenditures from August 31, 1919 to December 31, 1919, at \$540,100.00. The company's construction program calls for the building of a 2,000,000 cubic foot storage holder at Long Beach, a 15,000' 4" pipe line from the Oak Ridge lease to Santa Paula, a 9 mile 4" pipe line from Santa Paula to Fillmore, a 34,000' 7-5/8" pipe line to connect Brea-Pomona line with Southern California Gas Company line east of Chino, an 8,000' 4" pipe line to connect Oak Ridge-Santa Paula line with Ventura-Santa Paula line, the replacement of 11,000 feet of the 2" Newport Beach line with a 4" line, extensions

to compressor and boiler houses at Santa Barbara, the installation of 130,000 feet of 2", 17,000 feet of 3" and 48,000 feet of 4" main and the installation of 1,100 services, 1,600 meters, 1,300 regulators, together with other expenses made necessary by the normal and ordinary increase in applicant's business.

From time to time as applicant proceeds with the installation of extensions, additions and betterments it intends to file in this proceeding, supplemental petitions for permission to sell bonds in order to obtain moneys to pay in part the construction expenses.

I herewith submit the following form of Order:-

O R D E R

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 such issue is reasonably required for the purpose or purposes specified in this 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 Counties Gas Company of California be, and it is hereby, authorized to issue \$631,500. of its first mortgage 5-1/2 per cent bonds, due May 1, 1936, subject to the following conditions:-

1.-Of the bonds herein authorized, \$261,906.52 may be issued by applicant for not less than 85 per cent of their face value, plus accrued interest, and the proceeds used to pay notes and accounts payable referred to

in the foregoing Opinion, and more particularly set forth in Exhibit "A" attached to the first supplemental petition in Application Number 4966, it being understood that no part of the proceeds obtained from the sale of the bonds will be used by applicant to pay indebtedness incurred in connection with the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company.

2.-The remainder of the bonds, \$369,593.48, shall be sold by applicant only for such purposes and at such prices as the Railroad Commission may authorize in a supplemental order or orders herein.

3.-Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth 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.

4.-The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5.-The authority herein granted will apply only to such bonds as may be issued on or before March 1, 1920.

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 20th day of September, 1919.

Edwin O. Edgerston
W. D. Loveland
Frank R. Oliver
H. P. Roundtree
Irving Martin
Commissioners.

