

In the matter of the application
of SOUTHERN CALIFORNIA GAS COMPANY
for authority to issue \$750,000.00
of preferred stock.

:
:
: Application No. 568.
:
:

A. C. Balch and William G. Zerckhoff, for
applicant.

E. J. Johnson

LOVELAND, Commissioner.

OPINION.

This is an application by Southern California Gas Company for authority to sell \$750,000.00 of its preferred stock at \$80.00 per share and to use the proceeds for the payment of existing obligations and for additions and betterments to its plant.

Applicant owns a gas plant in the city of Los Angeles and one in Colton, San Bernardino county. It distributes gas in Los Angeles county, including a portion of the city of Los Angeles; San Bernardino county; and Riverside county. Southern California Gas Company will act as the chief distributing agency for the natural gas from the Kern county fields which is soon to be introduced into southern California by the Midway Gas Company. It also has contracts to develop natural gas for the Midway Gas Company.

In addition to its own outstanding obligations, it has guaranteed the bonds of the Midway Gas Company now outstanding to the amount of \$1,500,000.00.

The applicant herein has an authorized issue of \$4,000,000.00 of preferred stock and of \$6,000,000.00 of common stock. It has issued \$125,000.00 of preferred stock and \$6,000,000.00 of common stock. It now asks for authority to sell 7,500 shares of its preferred stock of the par value of \$100.00 per share. It proposes to sell this stock at \$80.00 per share. On behalf of the company it is stated that this is the best price obtainable and is regarded by applicant as an entirely satisfactory price in view of

all the circumstances involved. The preferred stock is 6% cumulative and preferred as to assets as well as to dividends.

The applicant has submitted a statement of earnings for the twelve months ending March 31, 1913 showing a balance, after the payment of operating expenses and interest charges, of \$98,289.78. It reports earnings from other sources for the same period amounting to \$14,624.38, making a total of \$112,914.16 as the amount applicable to depreciation and dividends.

If applicant sells its stock at 80, it will realize \$600,000.00 which will be used in reducing its notes payable and in adding to its physical properties. It is the intention of the applicant herein to use the proceeds from the sale of its stock for the payment of outstanding obligations in the sum of \$214,665.03, leaving a balance to be used for additions and betterments amounting to \$385,335.00.

Applicant lists notes payable which it desires to discharge as follows:-

<u>DATE</u>	<u>TERM</u>	<u>NAME</u>	<u>RATE</u>	<u>AMOUNT</u>
6/29/11		Pacific Light & Power Corp.	6%	\$ 15,000.00
10/11/12	1 ds.	Farmers & Merchants Natl. Bk.	"	50,000.00
8/1/12	1 yr.	Munro Oil Co.	"	7,500.00
1/29/13	3 mos.	Hope Eng. & Supply Co.	"	17,165.03
1/10/13	3 mos.	Midway Gas Co.	"	75,000.00
1/13/13	1 ds.	Farmers & Merchants Nat. Bk.	"	<u>50,000.00</u>
				\$214,665.03

Applicant states also that it desires to apply the balance of \$385,335.00, so far as it may go, upon the following proposed additions to its plant:-

High Pressure Mains from Fullerton Natural Gas Fields to Los Angeles 22.2 miles so constructed as to be used as an oil pipe line should necessity require. \$175,000.00

Compressor station at Midway Oil
 Fields capacity 30,000,000 cu. ft. per day.....375,000.00

Compressor Station at Fullerton
 Fields daily capacity 12,000,000 cu. ft.....135,000.00

\$510,000.00

Applicant did not submit to the Commission an appraisal of its physical properties and for the purposes of the present case a detailed valuation was not practicable. I am of the opinion, however, that such a valuation may be dispensed with for the present for the reason that the sale of stock and the use of the proceeds in the payment of obligations and in making additions and betterments to applicant's plant will serve to build up its properties and to reduce its indebtedness without adding to its fixed obligations.

I find that the purposes for which the applicant herein desires to issue its stock are proper purposes under the terms and provisions of the Public Utilities Act. I find also that the money to be derived from the sale of the stock is reasonably required for the purposes to which applicant intends to apply it and that it is not, in whole or in part, reasonably chargeable to operating expenses or to income.

I suggest that the applicant furnish further details as to the additions and betterments for which it proposes to use the proceeds from the sale of its stock.

I recommend that the application be granted and submit the following Order:-

ORDER.

Southern California Gas Company having made application to this Commission for authority to issue 7,500 shares of its preferred 6% cumulative stock of the par value of \$100.00 per share; and a public hearing having been held, and it appearing that the

purposes for which it proposes to issue said stock 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 authorized, and it is hereby authorized, to issue 7,500 shares of its preferred 6% cumulative stock, said stock to be issued upon the following conditions and not otherwise:-

(1) Said stock shall be sold so as to net Southern California Gas Company not less than \$80.00 per share.

(2) The proceeds from the sale of said stock shall be used for the following purposes only:-

(a) Payment of the following notes:-

<u>DATE</u>	<u>TERM</u>	<u>NAME</u>	<u>RATE</u>	<u>AMOUNT</u>
6/29/11		Pacific Light & Power Corp.	6%	\$ 15,000.00
10/11/12	1 da.	Farmers & Merchants Natl. Bk.	"	50,000.00
8/1/12	1 yr.	Mumro Oil Co.	"	7,500.00
1/29/13	3 mos.	Hope Eng. & Supply Co.	"	17,165.03
1/10/13	3 mos.	Midway Gas Co.	"	75,000.00
1/13/13	1 da.	Farmers & Merchants Natl. Bk.	"	<u>50,000.00</u>
				\$214,665.03

(b) And for the following additions and betterments to its plant, as far as the money may apply:-

High Pressure Mains from Fullerton Natural Gas Fields to Los Angeles 22.2 miles so constructed as to be used as an oil pipe line should necessity require.....	\$175,000.00
Compressor station at Midway Oil Fields capacity 30,000,000 cu. ft. per day.....	375,000.00
Compressor Station at Fullerton Fields daily capacity 12,000,000 cu. ft.....	<u>135,000.00</u>
	\$685,000.00

(3) Southern California Gas Company, before expending, upon additions and betterments to its plant, any of the proceeds from the sale of its stock hereby authorized shall file with the Commission a detailed statement of such additions and betterments.

(4) 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 stock hereby authorized to be issued, and on or before the twenty-fifth day of each month, it shall make verified reports to the Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of sale, moneys or properties 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; provided, however, that the applicant may deposit the funds received from the sale of its stock with any depository that may be approved by the Commission.

(5) The authority hereby granted shall apply only to stock issued on or before the 1st day of January, 1914.

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 22nd
day of May, 1915.

H. D. Loveland

Alfred J. ...

Max J. ...

Commissioners.