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Decision No. 6862.

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 an order authorizing)
the issuance of debentures and the)
execution of a mortgage securing)
the same.)

Application No. 5101.

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

LOVELAND and BRUNDIGE, Commissioners.

O P I N I O N.

SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA asks permission to execute a mortgage to secure the payment of \$900,000.00 of 6 per cent serial 5-year gold notes, or debentures, and issue said notes or debentures at an average price of 92 per cent of their face value and accrued interest for the purposes hereinafter indicated.

Applicant reports that its \$400,000.00 2-year debentures are payable December 1, 1919. In addition, it reports as of November 4, 1919, notes payable amounting to \$591,497.20 and accounts payable of \$173,113.43, making a total of \$764,610.67. Including the \$400,000.00 of 2-year debentures due December 1, 1919, applicant reports current liabilities of \$1,164,610.67. Of this indebtedness, \$310,500.00 is represented by notes given in order to procure funds with which to finance the purchase of the Santa Barbara and Ventura properties. The \$310,500.00 is said to represent the cost of these properties over and above the amount which the company received from

the sale of the bonds which the Commission authorized in connection with the purchase of the properties. The company has filed with the Commission a stipulation agreeing that the moneys expended by it to purchase the Ventura and Santa Barbara properties over and above the amount realized from the sale of the bonds which the Commission authorized for that purpose, will be paid out of surplus earnings. The company asks permission to refund temporarily the current liabilities incurred for the purpose of paying in part for the Santa Barbara and Ventura properties. The notes issued to refund such liabilities, will be paid at the rate of \$100,000.00 a year as provided in the proposed mortgage. The remaining current liabilities of the company—\$854,110.67—appear to represent expenditures for the construction of additions and betterments which can not be paid for through the sale of first mortgage bonds.

Applicant asks permission to use the proceeds obtained from the sale of the \$900,000.00 of 5-year 6 per cent serial gold notes, or debentures, to pay the \$400,000.00 of 2-year debentures due December 1, 1919, and apply the remainder of the proceeds to the payment of notes and accounts payable set forth in Exhibits "A" and "B" attached to the petition herein.

Applicant has filed with the Railroad Commission a copy of the proposed mortgage which it intends to execute for the purpose of securing the payment of the \$900,000.00 of 6 per cent 5-year serial gold notes. The mortgage constitutes a second lien upon all the properties of the company now owned or hereafter acquired. The mortgage provides that \$100,000.00 of the notes shall mature on the first day of December in each ~~year~~ of the years 1920 to 1923, both inclusive, and \$500,000.00 on December 1, 1924. It provides for the redemption of the notes at par plus accrued interest and a premium of one-half of one per centum of the principal thereof if such redemption occurs not more than twelve months, and of one per centum of the principal thereof if such redemption occurs more than twelve months prior to the regular maturity of the notes.

Applicant estimates its construction expenditures for

the fourteen months ending December 1, 1920 at \$948,550.00. The record shows that present stockholders of applicant are willing to purchase, if necessary, at least from \$150,000.00 to \$200,000.00 of common stock to enable the company to carry out its construction program and meet its financial obligations.

We 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 authority to execute a mortgage and issue \$900,000.00 face value of notes or debentures, a public hearing having been held and it appearing to the Railroad Commission 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, except the expenditures to refund the indebtedness incurred to acquire the Santa Barbara and Ventura properties, 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 execute a mortgage substantially in the same form as the mortgage filed in this proceeding on November 19, 1919.

IT IS HEREBY FURTHER ORDERED that SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA be, and it is hereby, authorized to issue \$900,000.00 face value of 6 per cent 5-year serial secured gold notes, or debentures.

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

- 1.-- The notes, or debentures, herein authorized to be issued shall be sold by applicant for cash at an average price of not less than 92 per cent of their face value plus

accrued interest, and \$400,000.00 of the proceeds used to pay the \$400,000. of debentures due December 1, 1919, and the remainder of the proceeds to pay notes and accounts payable listed in Exhibits "A" and "B" attached to the petition herein.

2.-- The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements, to which said mortgage may be subject.

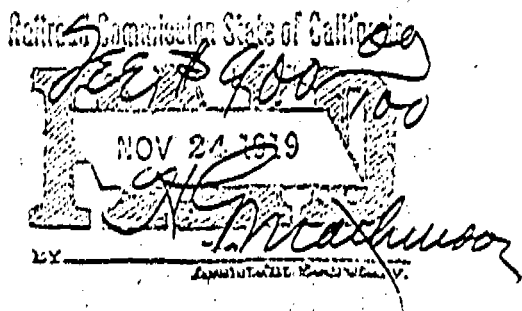
3.-- Southern Counties Gas Company of California shall keep such record of the issue and sale of the notes, or debentures, herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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 notes, or debentures, as may be issued on or before April 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 21st day of November, 1920.



Edwin O. Edgerton
H. D. Loveland
Stanley R. Dyer
H. B. Brundage

Commissioners.