

MS

ORIGINAL

Decision No. 7381.

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA.

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| In the Matter of the Application of          | ) |                              |
| <u>MIDWAY GAS COMPANY</u>                    | ) |                              |
| to execute a trust agreement securing        | ) | <u>Application No. 5492.</u> |
| an issue of serial notes, to sell            | ) |                              |
| said notes and of <u>SOUTHERN CALIFORNIA</u> | ) |                              |
| <u>GAS COMPANY</u> to guarantee said notes.  | ) |                              |

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O'Melveney, Milliken & Tuller and Jared How  
for applicant;  
J. Stephens, Assistant City Attorney for City  
of Los Angeles.

EDGERTON, Commissioner.

O P I N I O N.

MIDWAY GAS COMPANY asks permission to execute an agree-  
ment defining the terms and conditions under which it may issue  
\$750,000.00 of 7 per cent 3-year serial notes, sell forthwith  
\$500,000.00 of said notes and enter into an agreement with SOUTHERN  
CALIFORNIA GAS COMPANY for the sale of natural gas. The Southern  
California Gas Company asks permission to endorse or guarantee the  
payment of the Midway Gas Company's notes.

Midway Gas Company, the record shows, is making ar-  
rangements for the construction of an addition to its transmission  
system consisting of about 60 miles of 12-3/4" O.D. pipe at an esti-  
mated cost of \$900,000.00. For about 32 miles, the new line will  
parallel the northern and about 28 miles the southern end of its

existing transmission line from the Midway oil fields, Kern County, to West Glendale, Los Angeles County. The Midway Gas Company is undertaking the construction of the new line to enable it to deliver a greater quantity of natural gas to the Southern California Gas Company. It agrees that upon putting a portion of the new line into service, it will deliver to Southern California Gas Company all gas in excess of the present normal capacity of its transmission line, which for the purpose of the agreement is stated at 23,000,000 cubic feet per day of 24 hours. It is estimated that when the 60 miles of new line are completed and in service, the Midway Gas Company will be able to deliver to Southern California Gas Company additional gas in the maximum amount of 10,000,000 cubic feet per day of 24 hours. In return, the Southern California Gas Company agrees upon the demand of the Midway Gas Company to endorse or guarantee the payment of the \$750,000.00 of 3-year 7 per cent serial notes.

Midway Gas Company, after paying operating expenses, including taxes and depreciation, and paying interest, reported for 1917 a net income of \$258,480.04, for 1918 a net income of \$325,530.25 and for 1919 a net income of \$319,217.04. In 1917, the company included in operating expenses \$194,059.36, in 1918 \$242,705.59 and in 1919 \$353,556.96 for depreciation. It is the intention of the company to draw upon its reserve for accrued depreciation and its surplus to pay in part for the construction of the new pipe line.

Midway Gas Company has not yet filed with the Commission a copy of its proposed trust agreement. The record, however, shows that the agreement will provide for an authorized issue of \$750,000.00 of 7 per cent serial notes, of which \$250,000.00 are payable June 1, 1921, \$250,000.00 on June 1, 1922 and \$250,000.00 on June 1, 1923. The agreement will not constitute a lien on any

property. The order herein will provide that Midway Gas Company shall issue no notes until the Commission has by supplemental order authorized it to execute a trust agreement defining the terms and conditions under which the notes may be issued.

The record shows that it is impractical for Midway Gas Company at this time to duplicate in its entirety its present transmission line, though such additional capacity was urged by counsel for the City of Los Angeles.

I herewith submit the following form of Order:

O R D E R.

MIDWAY GAS COMPANY having applied to the Railroad Commission for permission to issue \$500,000.00 of 7 per cent serial notes to be endorsed or guaranteed by SOUTHERN CALIFORNIA GAS COMPANY and to enter into a contract with SOUTHERN CALIFORNIA GAS COMPANY covering the sale of natural gas; 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 MIDWAY GAS COMPANY be, and it is hereby, authorized to issue \$500,000.00 of 7 per cent serial notes, - \$250,000.00 of said notes to be payable June 1, 1921 and \$250,000.00 on June 1, 1922.

IT IS HEREBY FURTHER ORDERED, that MIDWAY GAS COMPANY and SOUTHERN CALIFORNIA GAS COMPANY be, and they are hereby, authorized to enter into an agreement substantially in the same form as

the agreement attached to the petition herein and marked Exhibit "C", such agreement covering the sale of natural gas.

IT IS HEREBY FURTHER ORDERED, that SOUTHERN CALIFORNIA GAS COMPANY be, and it is hereby, authorized to endorse or guarantee the payment of \$750,000.00 of 3-year 7 per cent serial notes of MIDWAY GAS COMPANY to be issued under a collateral trust agreement, after the execution of such agreement has hereafter been authorized by a supplemental order in this proceeding.

The authority herein granted is subject to the following conditions:

- 1.-- The notes herein authorized to be issued shall be sold by Midway Gas Company for cash at not less than 95 per cent of their face value plus accrued interest, provided however, that the authority herein granted to issue or sell notes shall not become effective until the Commission by supplemental order has authorized Midway Gas Company to execute a collateral trust agreement defining the terms and conditions under which the notes may be issued.
- 2.-- The proceeds obtained from the sale of the notes herein authorized shall be used by Midway Gas Company to pay in part for the construction of the 60 miles of transmission line referred to in the petition herein.
- 3.-- Midway Gas Company shall keep such record of the issue and sale of the notes 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 Number 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 Midway Gas Company has paid the fee prescribed by the Public Utilities Act.

5.-- The authority herein granted will apply only to such notes as may be issued and sold on or before October 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 8<sup>th</sup> day of April, 1920.

Edwin O. Edgerton  
H. D. Leonard  
Frank D. Johnson  
H. T. Brundage

Commissioners.

Fee \$500.00  
APR 23 1920  
H. M. Harrison