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Decision No. 9128.

ORIGINAL

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 \$1,250,000.00 par value of)
its preferred capital stock.)

Application No. 6895

LeRoy M. Edwards for Applicant.

LOVELAND, Commissioner.

O P I N I O N

SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA asks permission to issue and sell at not less than \$95.00 per share, 12,500 shares (\$1,250,000.00) of its 8 per cent. preferred stock and use the proceeds to pay current indebtedness and the cost of additions and betterments to its plant and system.

Applicant has an authorized stock issue of \$5,000,000., divided into \$2,500,000.00 of common and \$2,500,000.00 of preferred. The preferred stock, under applicant's amended articles of incorporation, has a preference both as to earnings and assets. The company reserves the right and privilege to redeem on any dividend payment date all or any part of the preferred stock by paying the holders thereof \$102.00 per share and the accumulated dividends. There is none of applicant's preferred stock outstanding at this time. Of its authorized common stock, \$1,500,000.00 is outstanding, all of which, except directors' shares, is owned by the Southern Counties Gas

Securities Company.

In Exhibits one and two applicant reports notes and accounts payable as of June 13, 1921, aggregating \$893,051.32. The funded debt of applicant as of April 30, 1921 is reported at \$6,264,600.00 and is said to consist of \$4,864,600.00 of first mortgage 5½ per cent. bonds, \$800,000.00 of second mortgage 6 per cent. gold notes and \$600,000.00 of 8 per cent collateral trust bonds, secured by first mortgage bonds.

During the past few years, applicant has secured all the moneys invested in its properties through the issue of bonds or other evidences of indebtedness, or the investment of earnings. The amount of earnings invested represents a relatively small part of applicant's total investment. In Decision No. 8399, dated November 30, 1920, the Commission concluded that applicant should devise a more satisfactory method of financing part of its expenditures for plant extensions, additions and betterments. The record shows that applicants' stockholders and board of directors have decided to endeavor to secure part of monoyes necessary to properly finance its properties through the sale of preferred stock. At this time applicant asks permission to issue and sell \$1,250,000.00 of its preferred stock and use the proceeds to pay its notes and accounts payable, and such part of its construction expenditures against which it can not issue bonds under its first mortgage.

Applicant does not intend to sell any of its stock through brokers but market all of the stock covered in this application through its own organization. While the company asks permission to sell its stock at not less than \$95.00 per share, it is the hope of applicant that it will be able to realize more than \$95.00 net per share.

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 and sell \$1,250,000.00 of 8 per cent preferred stock, 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 purposes mentioned in this order and that expenditures for such purposes are not in whole or in part 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 and sell at not less than \$95.00 per share \$1,250,000.00 of its 8 per cent. preferred stock.

The authority herein granted is subject to further conditions as follows:-

- 1.--No share or shares of stock shall be issued, nor any stock certificate or certificates delivered until applicant has received in cash the full selling price of said share or shares of stock or stock certificate or certificates.
- 2.--Of the proceeds realized from the sale of stock, not exceeding \$893,051.32 may be used to pay the notes and accounts payable reported in applicant's Exhibits "1" and "2" filed in this proceeding.
- 3.--The remainder of the proceeds and such portion of the \$893,051.32 not used by applicant to pay the indebtedness to which reference has been made, shall be used by applicant to pay for additions and betterments, provided that none of said remainder of the proceeds be expended until the Commission has, by supplemental order, indicated the specific purposes for which the proceeds may be used.
- 4.--Southern Counties Gas Company of California shall keep such record of the issue and sale of the stock 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.

5.--The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before December 31, 1921.

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 June, 1921.

H. B. Mendon

H. H. Howard

H. B. Mendon

Commissioners.