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ORIGINAL

Decision No. 9721

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

* * *

In the Matter of the Application of the)
SOUTHERN CALIFORNIA GAS COMPANY)
for an order authorizing the issuance)
and sale of bonds.)

Application No. 7245

O'Melveney, Milliken & Tuller, . by Paul Fussell,
for applicant.

ROWELL, Commissioner.

O P I N I O N -

SOUTHERN CALIFORNIA GAS COMPANY asks permission to issue and pledge with Union Bank and Trust Company, trustee, under its first and refunding mortgage \$1,000,000.00 of first mortgage bonds and to issue and sell at not less than 93-1/2 per cent. of their face value and accrued interest \$1,000,000.00 of first and refunding mortgage 7 per cent bonds due March 1, 1951.

Applicant has an authorized stock issue of \$10,000,000.00 divided into \$4,000,000.00 of preferred and \$6,000,000.00 of common. All of the common and \$875,000.00 of the preferred is outstanding. Applicant reports \$4,566,000.00 of its first mortgage and \$1,865,000.00 of its first and refunding mortgage bonds, or a total of \$6,431,000.00 of bonds outstanding. In addition, applicant reports current liabilities and accruals of \$1,213,751.26 consisting of the following:

Notes Payable,.....	\$260,448.34
Accounts Payable:	
Audited Vouchers,.....	\$300,766.64
Unvouchered Invoices,.....	109,843.40
Pay Rolls,.....	52,890.86
Purchase Contracts,.....	24,220.00
Deposits and Prepayments,.....	<u>290,239.52</u>
	777,960.42
Accruals,.....	<u>175,342.50</u>
Total,.....	\$1,213,751.26

The record shows that applicant on July 1, 1920, paid a \$20,000.00 note which it assumed at the time it acquired the properties of Economic Gas Company. The \$20,000.00 note was secured by a mortgage which constituted an underlying lien on applicant's properties for the payment of which note \$20,000.00 of applicant's first mortgage bonds had been reserved.

At the time applicant acquired the properties of Riverside Light and Fuel Company, it assumed the payment of that company's bonded indebtedness. On December 31, 1920, \$30,000.00 of Riverside Light and Fuel Company bonds due September 1, 1923 were outstanding. These bonds are now callable. The record shows that applicant has acquired \$18,500.00 of the \$30,000.00 of bonds at a cost of \$18,000. There are now outstanding in the hands of the public \$11,500.00 of Riverside Light and Fuel Company bonds. In order to obtain a release and reconveyances of the Riverside Light and Fuel Company properties, applicant has deposited with the Title Insurance and Trust Company \$13,000.00 of 4-3/4% Victory Loan Bonds. Through the deposit of the Victory Loan bonds, the mortgage securing the payment of the bonds of Riverside Light and Fuel Company has been released. It appears that \$30,000.00 of applicant's first mortgage bonds were reserved to refund the \$30,000.00 of Riverside Light and Fuel Company bonds. Applicant now asks permission to deposit with the trustee under its first and refunding mortgage the \$50,000.00 of first mortgage bonds heretofore reserved to pay or refund the Economic Gas Company note and the bonds of the Riverside Light and Fuel Company. In addition, applicant asks permission to deposit with the trustee under its first and refunding mortgage \$950,000.00 of its first mortgage bonds, such bonds to be issued against actual or estimated construction expenditures. None of the first mortgage bonds deposited with the trustee will be sold.

Applicant, however, does ask permission to issue and sell \$1,000,000.00 of its first and refunding mortgage 7 per cent. bonds

due March 1, 1951. In Schedule "A" filed in this proceeding, it reports its construction expenditures to August 31, 1921, against which no bonds have been issued, at \$658,086.15. Under its first and refunding mortgage the trustee is authorized to authenticate bonds equal in amount to 75 per cent. of the cost of new construction, improvements or betterments, provided the net earnings of the company for twelve months out of the preceding fourteen months shall have been not less than an amount sufficient to show at least 1-3/4 times the interest on all bonds then outstanding and in addition the interest on the bonds which the trustee is asked to authenticate. Seventy-five per cent of the \$658,086.15 amounts to approximately \$493,000.00. The remainder of the \$1,000,000.00 of bonds, namely \$507,000.00, applicant proposes to sell and to deposit the proceeds with the trustee, and from time to time withdraw such proceeds as it proceeds with its construction program. Testimony has been introduced showing that applicant has construction work in progress which will require \$670,160.69/ to complete. Applicant intends to pay in part for this construction work through the withdrawal of cash obtained from the sale of \$507,000.00 of first and refunding bonds.

Applicant asks permission to sell the \$1,000,000.00 of first and refunding bonds at 93-1/2 per cent. of their face value plus accrued interest. The record shows that on September 26, 1921, it entered into a contract for the sale of the bonds at the price mentioned subject to the condition that their issue be authorized by the Railroad Commission. This application was not filed until October 10th. A hearing was had on October 15th and the matter finally submitted on October 28th. During the interim there has been a general improvement in the bond market. I do not believe that it is proper for the Commission to authorize this issue of bonds under the conditions as they existed on September 26th. I am of the opinion that the Commission should be governed by the market

conditions as they exist at the time it passes on an issue of securities. Under present market conditions, I do not believe that applicant should sell the bonds covered by this application for less than 95 per cent. net and accrued interest, without the payment of any commission or brokerage fee of any kind whatsoever.

I herewith submit the following form of Order.

O R D E R

SOUTHERN CALIFORNIA GAS COMPANY having applied to the Railroad Commission for permission to issue, sell and pledge bonds as recited in the foregoing opinion, 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 is reasonably required by applicant and that the expenditures herein authorized 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, and it is hereby, authorized to issue and deposit with the trustee under its first and refunding mortgage \$1,000,000.00 of its first mortgage 6 per cent. bonds due November 1, 1950, and to issue \$1,000,000.00 of its first and refunding mortgage 7 per cent. bonds due March 1, 1951.

The authority herein granted is subject to the following conditions:-

- 1.--The \$1,000,000.00 of first and refunding bonds herein authorized to be issued shall be sold by applicant, for cash, at not less than 95 per cent. net and accrued interest and without the payment of a commission brokerage fee or other charge.
- 2.--The proceeds obtained from the sale of \$493,000.00 of first and refunding bonds may be used by applicant to pay

current indebtedness incurred in connection with the construction of the additions and betterments described in Exhibit "A" filed in this proceeding. The proceeds from the sale of \$507,000.00 of the first and refunding bonds shall be deposited with the trustee and expended for such purposes as the Railroad Commission may hereafter authorize.

- 3.--The authority herein granted will not become effective until applicant has paid the fee prescribed in Section 57 of the Public Utilities Act, which fee amounts to \$1,000.00.
- 4.--Southern California Gas Company shall keep such record of the issue, deposit and sale of the bonds 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 bonds 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 7th day of November, 1921.

Fee \$1000.00
NOV 7 1921
J. M. Mathews

H. B. Bunting
H. D. Howard
James Mathews
Robert H. ...
L. J. ...
Commissioners.