

ORIGINAL

Decision No. 33487

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company for an Order Authorizing it to Issue and Sell \$30,000,000 Principal Amount of its First Mortgage Bonds 3-1/4% Series Due 1970, to Mortgage its Properties and to Execute and Deliver its First Mortgage Indenture Dated as of October 1, 1940.

Application No. 23692

BY THE COMMISSION:

O P I N I O N

In this proceeding, Southern California Gas Company asks the Railroad Commission to enter its order authorizing it to execute a First Mortgage Indenture, hereinafter some times referred to as Indenture, to secure the payment of bonds and to issue and sell at not less than 101% of the principal amount thereof, interest at the coupon rate to be discounted to October 1, 1940, if delivery is made prior thereto, or accrued from October 1, 1940, to be added if delivery is made thereafter, \$30,000,000 face value of First Mortgage Bonds, 3-1/4% Series due 1970, for the purpose of redeeming outstanding bonds, and reimbursing its treasury because of income expended for additions and betterments to its properties.

Southern California Gas Company reports, as of August 1, 1940, assets and liabilities as follows:

ASSETS

| | | |
|--|---------------------|-------------------------|
| Plant Properties and Intangibles | | \$133,419,524.24 |
| Intangible | \$ 970,390.96 | |
| Tangible | 130,022,987.38 | |
| Under Construction | 536,035.83 | |
| Nonoperative land and other property | 1,647,116.73 | |
| Investment in oil wells | <u>242,993.34</u> | |
| Investment in Securities | | 10,032.00 |
| Current Assets | | 9,105,975.19 |
| Cash | \$ 2,032,329.02 | |
| Due from Pacific Lighting Corp. | 570,646.61 | |
| Accounts & Notes Receivable-Net | 5,118,245.97 | |
| Materials and Supplies | <u>1,384,753.59</u> | |
| Deferred Charges | | 2,886,726.51 |
| Unamortized Bond Discount and Expenses | \$ 872,063.86 | |
| Net Discount on Preferred Capital Stock | 1,702,187.14 | |
| Miscellaneous | <u>312,475.51</u> | |
| Total | | <u>\$145,422,257.94</u> |

LIABILITIES

| | | |
|--|---------------------|-------------------------|
| Capital Stock | | \$ 54,774,700.00 |
| Preferred 6% cumulative Series A | \$ 19,575,800.00 | |
| Preferred 6% cumulative Common | 3,998,900.00 | |
| Premium on Common Capital Stock | 28,800,000.00 | |
| | <u>2,400,000.00</u> | |
| Funded Debt | | 27,500,000.00 |
| Current Liabilities | | 5,961,730.55 |
| Accounts Payable | \$ 1,352,337.82 | |
| Taxes Payable and Accrued | 3,687,476.65 | |
| Accrued Bond Interest | 234,375.00 | |
| Dividends Payable | 117,873.50 | |
| Customers' Deposits and Construction Advances | <u>569,667.58</u> | |
| Deferred Credits -- Unearned Carrying Charges on Installment Accounts | | 539,995.51 |
| Reserves | | 46,086,852.49 |
| Retirements | \$ 43,145,767.64 | |
| Insurance | 1,848,611.51 | |
| Contingencies | <u>1,092,473.34</u> | |
| Donations in Aid of Construction | | 2,434,955.75 |
| Earned Surplus | | <u>8,124,023.64</u> |
| Total | | <u>\$145,422,257.94</u> |

Applicant has outstanding \$27,500,000 of bonds. These bonds consist of \$12,500,000 of First Mortgage and Refunding Gold Bonds, 4-1/2% Series due in 1961 (due March 1, 1961) and \$15,000,000 of First Mortgage and Refunding Bonds, 4% Series due 1965 (due August 1, 1965). The 4-1/2% bonds are callable on 30 days' notice at 104% of their face value plus accrued interest to the date of redemption. The 4% bonds are redeemable on 30 days' notice at 107% of their face value plus accrued interest to the date of their redemption. It is of record that applicant intends to redeem the said bonds on November 1, 1940. If it does so, it will have to expend for such redemption a total of \$29,093,750.

Applicant asks permission to issue and sell at not less than 101% of their principal amount \$30,000,000 of First Mortgage Bonds, 3-1/4% Series due 1970 (due October 1, 1970). If the bonds are delivered before October 1, 1940, interest at the coupon rate will be discounted. If they are delivered after October 1, 1940, accrued interest will be added to the sale price. Of the proceeds realized, other than accrued interest from the sale of said bonds, the company will use \$29,093,750 to redeem its 4-1/2% and 4% bonds now outstanding. The remainder of the proceeds will be used to reimburse applicant's treasury because of income expended for additions and betterments. The accrued interest will be used for general corporate purposes. The reimbursement of its treasury is necessary because of its 1940 construction expenditures. The gross cost of additions and betterments is estimated at \$6,038,455 and the net cost at \$4,756,391.

The payment of \$30,000,000 of 3-1/4% bonds will be secured by a First Mortgage Indenture executed to the American Trust Company as Trustee. A copy of this indenture is filed in

this proceeding as Exhibit "A." The indenture defines the terms and conditions under which the \$30,000,000 of bonds will be issued and also the terms and conditions under which the company may issue additional bonds. We have reviewed the indenture.

The company covenants in the indenture that it "will comply with all the laws of the State of California and of the United States of America applicable to the corporation, (Southern California Gas Company) and with all lawful rules and regulations of the Railroad Commission of the State of California, in such form and manner as counsel advise." This Commission has prescribed and there is now in effect, a uniform system of accounts for gas corporations. In the indenture the company obligates itself to prepare certain statements in accordance with sound accounting practice. It should be understood that by authorizing applicant to execute an indenture containing such a provision, we are not relieving it from keeping its books and records in the manner prescribed by the Commission. With this qualification, we find the indenture to be in satisfactory form.

ORDER

The Commission having considered the request of Southern California Gas Company, and it being of the opinion that this is not a matter in which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said \$30,000,000 of First Mortgage Bonds, 3-1/4% Series due 1970, is reasonably required for the purposes herein indicated, and that the expenditures for said purposes, except the payment of expenses incident to the issue of said bonds, are not in whole, or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as provided in

this order, therefore

IT IS HEREBY ORDERED as follows:

1. Southern California Gas Company may, after the effective date hereof and prior to December 15, 1940, execute a First Mortgage Indenture, substantially in the same form as the First Mortgage Indenture filed in this proceeding as Exhibit "A," provided that the authority herein granted to execute said mortgage indenture is for the purpose of this proceeding only, and is granted only insofar as this Commission has authority under the Public Utilities Act, and is not intended as an approval of said mortgage indenture as to such other legal requirements to which said mortgage indenture may be subject, and provided, further, that said authority does not relieve applicant from the obligation of keeping its accounts and accounting records in the manner prescribed by the Railroad Commission.

2. Southern California Gas Company may, after the effective date hereof and prior to December 15, 1940, issue and sell at not less than 101% of the principal amount thereof, interest at the coupon rate to be discounted to October 1, 1940, if delivery is made prior thereto, or accrued interest from October 1, 1940, to be added if delivery is made thereafter, \$30,000,000 of First Mortgage Bonds, 3-1/4% Series due 1970, and use the proceeds realized from said sale, other than accrued interest, to redeem its outstanding 4% and 4-1/2% bonds, to pay expenses incident to the issue and sale of said \$30,000,000 of bonds, and to reimburse its treasury because of income expended for additions and betterments. The accrued interest may be used for general corporate purposes.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the

Public Utilities Act, which fee is One Thousand Seven Hundred and Fifty (\$1,750.00) Dollars.

4. Within thirty (30) days after the effective date of the registration statement filed by Southern California Gas Company with the Securities and Exchange Commission, said Southern California Gas Company shall file with the Railroad Commission a complete copy of said registration statement.

5. Within thirty (30) days after the execution of the First Mortgage Indenture herein authorized, Southern California Gas Company shall file with the Railroad Commission two certified copies of the same.

6. Southern California Gas Company shall file with the Railroad Commission reports in compliance with the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

Dated at San Francisco, California, this 17th day of September, 1940.

By 2 Rice
Frank R. Wilson
Ralph W. ...
H. ...
Justin J. ...
Commissioners.

