

Decision No. _____

32753

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern Counties Gas Company of California for an Order Authorizing it to Issue and Sell \$11,500,000 Principal Amount of its First Mortgage Bonds, 3% Series due 1971, to Mortgage and otherwise Hypothecate its Properties and to Execute and Deliver its First Mortgage Indenture Dated as of January 1, 1941.

ORIGINAL

Application No. 23874

BY THE COMMISSION:

O P I N I O N

Southern Counties Gas Company of California asks permission to execute a first mortgage indenture similar in form to the first mortgage indenture filed in this proceeding on December 18, 1940 as Exhibit "B," and to issue and sell for the purposes hereinafter stated, \$11,500,000 of first mortgage bonds, 3% Series due 1971, at not less than 99% of their principal amount plus interest accrued to the date of delivery.

Southern Counties Gas Company of California, hereinafter sometimes referred to as applicant, is a corporation organized and existing under and by virtue of the laws of the State of California. Applicant is engaged in the distribution and sale of gas entirely within the southern and central portions of the State of California. It has an authorized stock issue of \$25,000,000, consisting of \$5,000,000 of 7% cumulative pre-

ferred stock, \$7,500,000 of 6% cumulative preferred stock, and \$12,500,000 of common stock. None of the preferred stock is outstanding. Of the common stock, \$9,500,000 was outstanding on October 31, 1940. It is all owned by the Pacific Lighting Corporation.

On October 31, 1940, applicant reports its assets and liabilities as follows:

ASSETS AND OTHER DEBITS

Investments		\$31,489,565.04
Intangible fixed capital	\$ 153,766.93	
Tangible fixed capital	31,161,014.77	
Fixed capital under construction	74,451.89	
Miscellaneous investments	<u>100,331.45</u>	
Current and Accrued Assets		2,423,049.10
Cash	839,279.08	
Special deposits	1,900.00	
Notes receivable	7,129.41	
Accounts receivable	1,010,621.98	
Interest and dividends receivable	81.03	
Materials and supplies	561,471.82	
Miscellaneous	<u>2,565.78</u>	
Deferred Debits		1,067,761.73
Unamortized debt discount and expense	994,573.06	
Clearing or apportionment accounts	3,932.88	
Work in progress	19,639.16	
Prepayments	47,176.87	
Miscellaneous	<u>2,439.76</u>	
 Total Assets and Other Debits		 <u><u>\$34,980,375.87</u></u>

LIABILITIES AND OTHER CREDITS

Common Capital Stock		\$ 9,500,000.00
First Mortgage $4\frac{1}{2}\%$ Bonds, due May 1, 1968		11,500,000.00
Current and Accrued Liabilities		1,885,910.70
Accounts payable to affiliated companies	\$ 534,669.64	
Accounts payable to others	358,189.09	
Consumers' deposits	73,976.43	
Miscellaneous current liabilities	45.00	
Taxes accrued	915,195.55	
Miscellaneous accrued liabilities	<u>3,834.99</u>	
Deferred Credits		201,893.89
Consumers' advances for construction	152,552.25	
Miscellaneous deferred credits	<u>49,341.64</u>	
Reserves		9,714,369.19
Depreciation reserve	9,045,501.61	
Casualty and insurance reserve	451,374.72	
Miscellaneous	<u>217,492.86</u>	
Unappropriated Surplus		<u>2,178,202.09</u>
Total Liabilities and Other Credits		<u>\$34,980,375.87</u>

As indicated in the foregoing balance sheet, applicant has outstanding in the hands of the public \$11,500,000 of first mortgage $4\frac{1}{2}\%$ bonds, due May 1, 1968. These bonds were issued by applicant under the authority granted by the Railroad Commission's Decision No. 19301, dated January 31, 1928, in Application No. 14358. Applicant proposes to redeem said \$11,500,000 of bonds on May 1, 1968. At that time the bonds are redeemable at $101\frac{1}{2}\%$ of their principal amount plus accrued interest. The redemption of the bonds, including the interest payment due May 1, 1968, calls for an expenditure of \$11,931,250. The interest

payment is, of course, an income account charge.

To provide itself with some of the funds necessary to redeem and retire said \$11,500,000 of 4½% bonds, applicant asks permission to issue and sell at not less than 99% of their principal amount and accrued interest, \$11,500,000 of first mortgage bonds, 3% Series due 1971. The 3% bonds will be dated January 1, 1941, and mature January 1, 1971. The proceeds realized from the sale of said 3% bonds will be deposited with the Trustee under applicant's proposed first mortgage indenture and used to redeem and retire, on or before May 1, 1941, said 4½% bonds.

The payment of the \$11,500,000 first mortgage bonds, 3% Series due 1971, will be secured by the first mortgage indenture executed to the American Trust Company, as Trustee. A copy of this indenture was filed in this proceeding on December 18, 1940 as Exhibit "B." In the indenture, applicant covenants 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 Counties Gas Company of California) and with all lawful rules and regulations of the Railroad Commission of the State of California in such form and manner as counsel may advise. This Commission has prescribed, and it has now in effect, a uniform system of accounts for gas corporations. In the indenture, applicant obligates itself to prepare, for the Trustee, certain statements in accordance with sound accounting practices. It should be understood that by authorizing applicant to execute an indenture containing such a provision, we are not relieving it from the duty of keeping its books and accounting records in a manner prescribed by the Railroad Commission. Neither are we

relieving applicant from the obligation of filing with the Railroad Commission applications for permission to issue additional bonds under the indenture. With these qualifications, we find the indenture to be in satisfactory form.

O R D E R

The Commission having considered the request of Southern Counties Gas Company of California, and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said \$11,500,000 of first mortgage bonds, 3% Series due 1971, is reasonably required for the purposes specified in this order, and that the expenditures for said purposes, except payment of expenses incident to the issue of said bonds and amortization of bond discount, 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 Counties Gas Company of California may, on or before May 1, 1941, execute a first mortgage indenture substantially in the same form as the first mortgage indenture filed in this proceeding on December 18, 1940, as Exhibit "B," 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 jurisdiction under the terms of 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 books and accounting records in the manner prescribed by the Railroad Commission nor from the obligation of filing with the Railroad Commission applications for permission to issue bonds in addition to those herein authorized to be issued.

2. Southern Counties Gas Company of California may, on or before May 1, 1941, issue and sell at not less than 99% of the principal amount thereof, plus interest accrued thereon to the date of delivery, \$11,500,000 of first mortgage bonds, 3% Series due 1971.

3. Southern Counties Gas Company of California shall deposit the proceeds realized from the sale of the \$11,500,000 of first mortgage bonds with the Trustee under its first mortgage indenture, to be dated January 1, 1941, and shall use said proceeds to redeem and retire, on or before May 1, 1941, its first mortgage 4½% gold bonds, due May 1, 1968.

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

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

6. Southern Counties Gas Company of California 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 21st day of December, 1940.

Ray L. Riley

Justus J. Casner
Commissioners.