

ORIGINAL

Decision No. 24088

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 \$7,000,000 principal amount of its first mortgage bonds, 3 $\frac{1}{4}$ % series due 1970.

Application No. 24088

Leroy M. Edwards and T. J. Reynolds  
for Applicant

Gilmore Tillman, Asst. City Attorney and  
Stanley M. Lanham, Asst. Chief Engineer,  
Board of Public Utilities and Trans-  
portation, for the City of Los Angeles

BY THE COMMISSION:

O P I N I O N

Southern California Gas Company asks permission to issue and sell at not less than 102% of their face value and accrued interest \$7,000,000 of its first mortgage bonds, 3 $\frac{1}{4}$ % series due 1970, and use the proceeds to reimburse its treasury and pay the cost of additions and betterments to its properties.

Southern California Gas Company, hereinafter some times referred to as applicant, is a public utility engaged principally in acquiring, gathering, compressing, transporting, distributing and/or selling natural gas to domestic, commercial

gas engine, industrial and wholesale consumers in Los Angeles, San Bernardino, Ventura, Kern, Riverside, Kings, Tulare and Fresno Counties in the State of California. Applicant distributes natural gas exclusively except that it owns, operates and maintains three small butane gas plants and distributes butane gas in the Towns of Mojave, Lancaster and Palmdale. Applicant's number of active meters and operating revenues from all sources for 1940 are reported as follows:

<u>Item</u>	<u>Active Meters</u>	<u>Operating Revenues</u>
Domestic and commercial:		
Natural gas	762,397	\$27,541,952.68
Butane gas	634	36,184.85
Gas engine - natural gas	909	352,257.06
Industrial - natural gas	1,413	4,984,415.22
Wholesale - natural gas to other utilities for resale	<u>3</u>	<u>253,317.46</u>
Subtotal	765,356	\$33,168,127.27
Transport and compression service - natural gas	-	576,645.93
Miscellaneous (including profit from sale of gas appliances)	-	<u>765,138.59</u>
Total gas department revenue	-	\$34,509,911.79
Water department revenue	-	<u>5,595.95</u>
Total gross operating revenues	-	<u>\$34,515,507.74</u>

Applicant sold its public utility water properties on October 31, 1940.

In 1940, applicant had a gross income of \$6,998,765.99. This is the amount it had available for interest, amortization of debt discount and expense, federal income tax, other fixed charges, dividends and surplus.

Applicant's books, as of February 28, 1941, show an

investment of \$134,120,399.66, segregated as follows:

Intangible fixed capital	\$ 970,126.53
Tangible fixed capital	130,367,281.60
Fixed capital under construction	918,445.52
Miscellaneous investments	<u>1,864,546.01</u>
	<u>\$134,120,399.66</u>

Applicant's reserve for retirements is reported at \$44,719,602.96, which deducted from the \$134,120,399.66, leaves a balance of \$89,400,796.70. On February 28, 1941, applicant had outstanding stocks and bonds of a par value of \$82,374,700, consisting of the following:

Common stock	\$28,800,000
Preferred stock, series A, 6% Cumulative	19,575,800
Preferred stock, 6% Cumulative	3,998,900
First mortgage bonds, 3 $\frac{1}{4}$ % series due 1970	<u>30,000,000</u>
Total	<u>\$82,374,700</u>

In Exhibit B, applicant submits the following summary of its estimated gross cost and net cost of tangible fixed capital additions and betterments, exclusive of motor vehicles, for the year ending December 31, 1941:

	<u>Estimated Gross Additions</u>	<u>Estimated Gross Retirements</u>	<u>Estimated Net Additions</u>
<u>1941 Authorizations</u>			
Land	\$ 119,923	\$ -	\$ 119,923
Buildings	700,833	(128,626)	572,207
Production and Transmission Mains	1,160,060	(282,456)	877,604
Distribution Mains	1,649,196	(230,750)	1,418,446
Services	1,355,529	(277,347)	1,078,182
Meter and Regulating Equipment	1,235,794	(231,621)	1,004,173
Holder	1,607,960	-	1,607,960
Manufactured Gas Production Equipment	30,697	(2,386)	28,311
Natural Gas Production & Transmission Equipment	53,297	(16,624)	36,673
Distribution Equipment	44,097	(14,391)	29,706
Gas Wells	28,750	-	28,750
Shop Equipment	56,150	(3,108)	53,042
Tools and Construction Equipment	129,466	(14,490)	114,976
Laboratory Equipment	2,892	-	2,892
Engineering Equipment	7,291	(3,939)	3,352
Furniture & Office Equipment	106,207	(13,071)	93,136
<b>Total 1941 Authorizations</b>	<b>\$8,288,142</b>	<b>\$(1,218,809)</b>	<b>\$7,069,333</b>
<u>1940 Authorizations</u>			
Buildings	\$ 593,300	\$ -	\$ 593,300
Holder	56,823	-	56,823
Mains	14,877	-	14,877
<b>Total 1940 Authorizations</b>	<b>\$ 665,000</b>	<b>\$ -</b>	<b>\$ 665,000</b>
<b>Total Authorizations</b>	<b>\$8,953,142</b>	<b>\$(1,218,809)</b>	<b>\$7,734,333</b>
Less Estimated Work in Progress as of December 31, 1941	(300,000)	-	(300,000)
<b>Total Est. 1941 Capital Expenditures</b>	<b>\$8,653,142</b>	<b>\$(1,218,809)</b>	<b>\$7,434,333</b>

(Red Figures)

The cost of motor vehicles is excluded from said Exhibit B because applicant cannot call upon the Trustee under its first mortgage to authenticate bonds on account of expenditures for motor vehicles.

To reimburse its treasury because of income expended for additions and betterments on and after January 1, 1940, to pay in part the cost of additions and betterments set forth in Exhibit B and to finance some of its construction expenditures in 1942, applicant desires permission to issue \$7,000,000 of first mortgage bonds, 3½% series due 1970. In its petition, it asks permission to sell said bonds at not less than 102% of their face value and accrued interest. The testimony, however, shows that applicant will sell presently but \$5,000,000 of said bonds, and that the remaining \$2,000,000 of bonds will be sold when it needs additional funds to pay for additions and betterments to its properties. Applicant has made a specific and definite showing only as to the issue of \$5,000,000 of bonds. As to the remaining \$2,000,000 of bonds, the record is devoid of the time when they will be sold, the actual or approximate price at which they will be sold, and the specific purposes for which the proceeds will be expended. The plea is made that if their issue is not now authorized, applicant will have to file with the Securities and Exchange Commission a further registration statement. The current registration statement, which covers \$7,000,000 of bonds, contains a recital that it is expected that \$2,000,000 principal amount of said bonds will be offered from time to time after April 9, 1941, and prior to April 1, 1942. The order herein will author-

ize the issue of the \$7,000,000 of bonds, subject to the provision that \$2,000,000 of said bonds may not be sold and delivered until the Commission, by supplemental order, has fixed the price at which applicant may sell said \$2,000,000 of bonds and the specific purposes for which it shall use the proceeds.

### O R D E R

A public hearing having been held on the above entitled application before Examiner Fankhauser and the Commission having considered the request of Southern California Gas Company for permission to issue \$7,000,000 face amount of its first mortgage bonds, 3 $\frac{1}{4}$ % series of 1970, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required by said Southern California Gas Company for the purposes specified in this order, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Gas Company may, after the effective date hereof and prior to April 1, 1942, issue \$7,000,000 face value of first mortgage bonds, 3 $\frac{1}{4}$ % series due 1970, and sell \$5,000,000 face value of said bonds at not less than 102% of their face value and accrued interest, and use the proceeds, other than accrued interest, realized from the sale

of said \$5,000,000 of bonds, to reimburse its treasury because of income expended for additions and betterments to its properties and to finance in part the cost of additions and betterments described in Exhibit B filed in this proceeding. The accrued interest may be used for general corporate purposes. \$2,000,000 face value of said bonds may be issued to finance construction expenditures in 1942, but said \$2,000,000 of bonds may not be sold and delivered until the Commission, by a supplemental order, has fixed the price at which Southern California Gas Company may sell said bonds and the purposes for which it shall expend the proceeds realized from the sale of said \$2,000,000 of bonds.

2. 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 Four Thousand (\$4,000.00) Dollars.

3. Southern California Gas Company shall file with the Railroad Commission a copy of each and every resolution, opinion, certificate or other data which it is required to file with the trustee under its first mortgage by Sections 4.03, 4.04, and 4.05 under Article IV of said first mortgage as a condition precedent to the authentication of bonds by said trustee or the withdrawal of cash deposited with the trustee.

4. Within ten (10) days after the offering of said \$5,000,000 of bonds, Southern California Gas Company shall file with the Railroad Commission a copy of each and every amendment to the registration statement filed in this proceeding as Exhibit No. 1, including a copy of the bond sale agree-

ment and a copy of the prospectus.

5. Southern California Gas Company shall file with the Railroad Commission such reports as are required by 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 5<sup>th</sup> day of April, 1941.

*A. J. Baker*

*Justus J. Casmen*  
*Francis R. Havenner*  
Commissioners.

