

ORIGINAL

Decision No. 40014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN COUNTIES GAS COMPANY OF)
CALIFORNIA, a corporation, for an)
order authorizing it to issue and)
sell \$6,000,000 principal amount of)
its First Mortgage Bonds, 3% Series)
due 1977, to mortgage its proper-)
ties, and to execute and deliver to)
American Trust Company as Trustee a)
Supplemental Indenture dated as of)
March 1, 1947.)

Application
No. 28227

O P I N I O N

Southern Counties Gas Company of California asks permission to issue and sell, for the purposes hereafter stated, \$6,000,000 principal amount of its first mortgage bonds, 3% Series, due March 1, 1977, and execute a supplemental indenture.

Applicant is a corporation organized and existing under and by virtue of the laws of the State of California. It is engaged in the business of purchasing, collecting, transmitting, distributing and selling natural gas as a public utility in the Counties of Los Angeles, San Bernardino, Riverside, Ventura, Orange, Santa Barbara and San Luis Obispo, and elsewhere in the southern part of the State of California. For the three years ending December 31, 1946, applicant reports earnings as follows:

	Year Ended December 31		
	1944	1945	1946
Total Operating Revenues	\$14,899,024.28	\$14,787,399.97	\$15,194,583.82
Operating Expenses:			
Operation	\$ 7,473,163.48	\$ 7,640,115.84	\$ 8,323,903.24
Maintenance and repairs	639,272.96	627,913.11	834,620.92
Provision for retirements	1,337,767.19	1,306,197.90	1,385,792.16
Taxes (other than Federal taxes on income)	1,107,239.15	1,199,994.79	1,340,347.11
Total operating expenses	\$10,557,442.78	\$10,774,221.64	\$11,884,663.43
Net Operating Revenue	\$ 4,341,581.50	\$ 4,013,178.33	\$ 3,309,920.39
Total Other Income (net)	25,704.25	17,273.33	10,894.47
Gross Income	\$ 4,367,285.75	\$ 4,030,451.66	\$ 3,320,814.86
Income Deductions:			
Interest on funded debt.	\$ 376,833.33	\$ 352,760.33	\$ 359,795.09
Other interest	4,084.14	3,758.35	9,395.59
Interest charged to construction	25,997.95*	13,090.94*	21,234.46*
Income deductions	\$ 386,921.52	\$ 353,427.74	\$ 347,956.22
Net Income Before Provision For Federal Taxes On Income	\$ 4,012,364.23	\$ 3,677,023.92	\$ 2,972,858.64
Provision for Federal Taxes On Income	2,705,000.00	2,345,000.00	1,197,262.00
Net Income	\$ 1,307,364.23	\$ 1,332,023.92	\$ 1,775,596.64

*Denotes credit

Applicant's provisions for retirements of fixed capital in service (other than automotive, construction and certain miscellaneous equipment) and of miscellaneous nonoperative properties during the three-year period have been made on the basis of a sinking fund method, using an interest rate of 6% for 1944 and 5% for 1945 and 1946. The sinking fund annuities are based upon life tables established after study of the probable service lives of the various classes of property. The amounts of the provisions for the period charged to operating expenses were as follows:

	1944	1945	1946
Sinking-fund annuity	\$ 599,285.87	\$ 635,106.66	\$ 665,095.56
Interest on reserve balance pursuant to sinking-fund method	738,481.32	671,091.24	720,696.60
Total	\$ 1,337,767.19	\$ 1,306,197.90	\$ 1,385,792.16

For 1944, applicant paid dividends on its common stock in the amount of \$1,452,000; for 1945, \$1,342,000; and for 1946, \$1,276,000.

As of December 31, 1946, applicant reports assets and liabilities as follows:

ASSETS AND OTHER DEBITS

Investments

Fixed capital in service	\$ 173,705.14
A. Intangible capital	<u>44,532,577.52</u>
B. Tangible capital	44,706,282.66
Total fixed capital in service	1,061,251.95
Fixed capital under construction	117,221.99
Miscellaneous investments	<u>\$45,884,756.60</u>
Total investments	

Current and Accrued Assets

Cash	\$ 1,027,354.76
Special deposits	2,800.00
Notes receivable	807.52
Accounts receivable	
A. Gas sales	\$877,827.92
B. Merchandise sales	3,253.19
C. Miscellaneous	<u>192,945.68</u>
Total accounts receivable	1,080,036.79
Materials and supplies	944,450.31
Miscellaneous current and accrued assets	<u>8,678.67</u>
Total current and accrued assets	<u>\$ 3,064,128.05</u>

Deferred Debits

Clearing or apportionment accounts	\$ 6,661.37
Work in progress	41,462.07
Prepayments	35,466.71
Miscellaneous deferred debits	107,083.70
Total deferred debits	<u>\$ 190,673.85</u>
 Total Assets and Other Debits	 <u>\$49,139,558.50</u>

LIABILITIES AND OTHER CREDITS

Capital and Long-Term Liabilities

Capital stock (common)		\$11,000,000.00
Long-term debt		<u>11,892,000.00</u>
Total capital and long-term liabilities		<u>\$22,892,000.00</u>

Current and Accrued Liabilities

Accounts payable			
A. Affiliated companies	\$2,694,387.47		
B. Others	<u>1,035,993.23</u>		
Total accounts payable		\$ 3,730,380.70	
Consumers' deposits		80,417.66	
Miscellaneous current liabilities		81,042.63	
Taxes accrued		2,015,708.90	
Miscellaneous accrued liabilities		<u>190,942.10</u>	
Total current and accrued liabilities		<u>\$ 6,098,491.99</u>	

Deferred Credits

Consumers' advances for construction		\$ 287,300.27
Total deferred credits		<u>\$ 287,300.27</u>

Reserves

Depreciation reserve		\$16,389,653.43
Casualty and insurance reserve		649,933.75
Operating reserves		25,000.00
Miscellaneous reserves		<u>369,893.66</u>
Total reserves		<u>\$17,434,480.84</u>

Unappropriated Surplus

Profit and loss balance		<u>\$ 2,427,285.40</u>
Total Liabilities and Other Credits		<u>\$49,139,558.50</u>

All of applicant's outstanding stock is owned by the Pacific Lighting Corporation. Its long-term debt, reported at \$11,892,000, consists of \$10,892,000 of first mortgage bonds, 3% Series, due January 1, 1971, and \$1,000,000 of first mortgage bonds, 3% Series, due January 1, 1972.

The \$6,000,000 of 3% bonds which applicant asks permission to issue will be dated March 1, 1947, and mature March 1, 1977. They will constitute a new series of applicant's first

mortgage bonds under its trust indenture dated January 1, 1941, as modified by the supplemental indenture dated December 1, 1941, and the proposed supplemental indenture of March 1, 1947, which applicant asks permission to execute. A copy of the proposed supplemental indenture is on file in this application as Exhibit "B-1". Among other things, it confirms the lien of applicant's first mortgage on real property acquired after January 1, 1941. It also contains the form of the new series of bonds. They are redeemable at the option of applicant, as a whole or in part, at any time prior to maturity upon giving the required notice and upon payment of the accrued interest to the date fixed for redemption and the following percentages of the principal amounts thereof:

From date of issue to	February 28, 1951,	108	$\frac{7}{8}$
March 1, 1951 to	February 28, 1954,	107- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1954 to	February 28, 1957,	106- $\frac{3}{4}$	$\frac{7}{8}$
March 1, 1957 to	February 29, 1960,	106	$\frac{7}{8}$
March 1, 1960 to	February 28, 1963,	105- $\frac{1}{4}$	$\frac{7}{8}$
March 1, 1963 to	February 28, 1966,	104- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1966 to	February 28, 1969,	103- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1969 to	February 29, 1972,	102- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1972 to	February 28, 1974,	101- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1974 to	February 28, 1975,	101	$\frac{7}{8}$
March 1, 1975 to	February 29, 1976,	100- $\frac{1}{2}$	$\frac{7}{8}$
March 1, 1976 to	August 31, 1976,	100- $\frac{1}{4}$	$\frac{7}{8}$
September 1, 1976 to	March 1, 1977,	100	$\frac{7}{8}$

Applicant intends to sell the \$6,000,000 of bonds pursuant to the competitive bidding requirements of the Commission, except that it prays that it be required to publish the invitation for bids for five days only. It intends to receive bids at its office at Room 934, 810 So. Flower Street, up to 9:30 A.M. Pacific Standard Time on March 24, or on such later date as may be fixed by it as provided in the invitation for bids. Applicant has advised the Commission that the issue and sale of the \$6,000,000 of bonds had already been given wide

publicity, and that many investment bankers have knowledge of the bond issue. It is applicant's intention to publish the invitation for bids as soon as its registration statement is declared effective by the Securities and Exchange Commission. A copy of the invitation for bids is on file in this application as Exhibit "F-1".

Applicant asks permission to use the proceeds from the sale of the bonds to pay the expenses of the bond issue estimated at \$65,748, to reimburse its treasury to the extent of \$2,970,000 because of capital expenditures made on or prior to December 31, 1946, as reported in Exhibit "D" filed with the application, and to reimburse its treasury for and/or to finance a portion of the cost of additions to its property shown in Exhibit "E" filed with the application. The accrued interest received by applicant will be used by it for general corporate purposes. Applicant will use \$2,696,387.47 of the \$2,970,000 to pay current indebtedness due Pacific Lighting Corporation. This indebtedness was incurred by applicant to finance construction expenditures. In Exhibit "E" applicant estimates its fixed capital expenditures for the year 1947 at \$3,860,970. This includes an allowance of \$3,385,000 for its portion of the joint Texas Pipe Line project, of which amount it expended during 1946 \$842,561. The \$842,561 is not included in applicant's construction expenditures for which it seeks reimbursement through the withdrawal of the \$2,970,000. Applicant has supplied the Commission with a general description of the major items of fixed capital additions and betterments to be installed during 1947.

O R D E R

The Commission has considered applicant's request and is 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 \$6,000,000 face amount of first mortgage bonds, 3% Series due 1977 by Southern Counties Gas Company of California is reasonably required by said Southern Counties Gas Company of California for the purposes herein stated, that the expenditures for said purposes, other than the accrued interest and the payment of bond sale expenses, 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 Counties Gas Company of California may, after the effective date hereof and on or before April 30, 1947, issue and sell at a price to be fixed by a supplemental order, \$6,000,000 face amount of its first mortgage bonds, 3% Series due 1977.

2. Southern Counties Gas Company of California shall use the proceeds, exclusive of accrued interest, derived from the issue and sale of said bonds for the following purposes:

- (a) To pay expenses incident to the issue and sale of the bonds, approximately \$85,748.
- (b) To reimburse its treasury in the amount of \$2,970,000 on account of capital expenditures made on or before December 31, 1946. Of said \$2,970,000, applicant shall use \$2,696,387.47 to pay indebtedness payable to affiliated companies.

- (c) The remainder of the proceeds shall be used to reimburse its treasury for and/or to finance a portion of the cost of the additions to its properties shown in Exhibit "E" on file in this application.
- (d) The accrued interest may be used by applicant for general corporate purposes.

3. Pending the preparation and delivery of definitive bonds, Southern Counties Gas Company of California may issue, sell and deliver temporary bonds in the face amount of \$6,000,000 under the same terms and conditions as those under which it is authorized to issue and sell said \$6,000,000 of definitive bonds.

4. Southern Counties Gas Company of California shall publish an invitation for proposals for the purchase of said \$6,000,000 of bonds as soon as the registration statement filed with the Securities and Exchange Commission is declared effective, and in any event not less than five (5) days prior to the date fixed for the opening of bids, said invitation for proposals to purchase said bonds to be in form similar to that on file in this application as Exhibit "F-1".

5. Southern Counties Gas Company of California may execute a supplemental indenture in, or substantially in, the same form as that filed in this application as Exhibit "B-6".

6. The authority herein granted will become effective when the Public Utilities Commission of the State of California has entered a supplemental order fixing the price at which Southern Counties Gas Company of California may sell said \$6,000,000 of bonds, and when said Southern Counties Gas Company of California has paid the fee prescribed by Section 57 of the Public

Utilities Act, which fee is Three Thousand Five Hundred (\$3,500.00) Dollars.

7. Southern Counties Gas Company of California shall file with the Public Utilities Commission of the State of California such report, or 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. Applicant shall also file with the Commission within six (6) months after the issue and sale of said \$6,000,000 of bonds, a statement showing in detail the expenses incurred by it in connection with the issue and sale of said \$6,000,000 of bonds. Applicant shall further file with the Commission as soon as available, a copy of each amendment to its registration statement filed with the Securities and Exchange Commission and, when executed, two (2) copies of its supplemental indenture dated March 1, 1947.

Dated at San Francisco, California, this 4th day of March, 1947.

Harold J. Kula
Justice F. Garner
David Powell
R. E. [unclear]
[unclear]
Commissioners

