

ORIGINAL

Decision No. 40328

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA GAS COMPANY, a	:	
corporation, for an order author-)	
izing it to issue and sell	:	
\$12,000,000 principal amount of its)	
First Mortgage Bonds, 2-7/8% Series	:	Application
due 1977, to mortgage its proper-)	No. 28444
ties, and to issue and deliver to	:	
American Trust Company as Trustee)	
a Supplemental Indenture dated as	:	
of July 1, 1947.)	
-----	:	

O P I N I O N

Southern California Gas Company, hereinafter sometimes referred to as Applicant, asks permission to issue and sell, for the purposes herein stated, \$12,000,000 principal amount of its First Mortgage Bonds, 2-7/8% Series due 1977, and execute a supplemental indenture, a copy of which is filed in this application as Exhibit "C".

Applicant is engaged in the distribution and sale of gas in the southern, central and/or coastal portions of the State of California. For the three years ending December 31, 1946, Applicant in Exhibit "D" reports earnings as follows:

	<u>1944</u>	<u>1945</u>	<u>1946</u>
Total Operating Revenues	\$48,610,642.35	\$49,736,247.34	\$52,869,605.17
Operating Expenses:			
Operation	\$23,211,317.17	\$24,197,584.31	\$28,532,884.54
Maintenance and repairs	3,467,289.49	2,628,950.53	2,667,201.54
Provision for retirements	5,579,856.20	5,981,567.44	5,720,503.75
Taxes (other than Federal taxes on income)	3,687,025.75	4,071,098.73	4,674,196.23
Total operating expenses	<u>\$35,945,498.61</u>	<u>\$36,879,201.01</u>	<u>\$41,594,786.06</u>
Net Operating Revenue	\$12,665,143.74	\$12,857,046.33	\$11,274,819.11
Other Income (Net)	68,001.80	77,351.60	78,155.69
Total	<u>\$12,733,145.54</u>	<u>\$12,934,397.93</u>	<u>\$11,352,974.80</u>
Income Deductions:			
Interest on funded debt	\$ 1,063,281.95	\$ 1,052,428.25	\$ 1,040,058.96
Other interest	12,448.36	11,566.17	8,483.75
Interest charged to construction	<u>27,740.81*</u>	<u>35,961.66*</u>	<u>30,244.82*</u>
Income deductions (net)	<u>\$ 1,047,989.50</u>	<u>\$ 1,028,032.76</u>	<u>\$ 1,018,297.89</u>
Net Income Before Provision for Federal Taxes on Income	\$11,685,156.04	\$11,906,365.17	\$10,334,676.91
Provision for Federal Taxes on Income	7,099,208.00	7,883,917.00	4,540,164.32
Net Income	<u>\$ 4,585,948.04</u>	<u>\$ 4,022,448.17</u>	<u>\$ 5,794,512.59</u>

*Denotes deduction.

The provision for Federal taxes on income for 1944 includes an allowance of \$4,279,928 and for 1945, \$5,063,147 for excess profits taxes.

During the three years ending December 31, 1946, the company paid dividends on its outstanding stock as follows:

<u>Year</u>	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Total</u>
1944	\$1,414,495.24	\$3,456,000.00	\$4,870,495.24
1945	1,395,186.36	2,592,000.00	3,987,186.36
1946	1,337,256.50	3,168,000.00	4,505,256.50

As of March 31, 1947, Applicant reports assets and liabilities as follows:

ASSETS AND OTHER DEBITS

1. INVESTMENTS

Fixed capital in service		
A. Intangible capital	\$ 941,022.31	
B. Tangible capital	<u>161,260,715.03</u>	
Total fixed capital in service		\$162,201,737.34
Fixed capital under construction		8,756,735.19
Miscellaneous investments		<u>200,034.35</u>
Total investments		\$171,158,506.88

III. CURRENT AND ACCRUED ASSETS

Cash		\$ 3,704,043.69
Special deposits		53,200.00
Notes receivable		23,138.76
Accounts receivable		
A. Gas sales	\$ 4,542,556.15	
B. Merchandise sales	26,915.58	
C. Affiliated companies	41,597.72	
D. Miscellaneous	<u>31,630.82</u>	
Total accounts receivable		4,642,700.27
Interest and dividends receivable		100.69
Materials and supplies		1,679,970.98
Jobbing accounts		3,498.04
Miscellaneous current and accrued assets		<u>8,734.13</u>
Total current and accrued assets		\$ 10,115,386.56

V. DEFERRED DEBITS

Clearing or apportionment accounts	\$ 34,945.34
Work in progress	361,461.84
Prepayments	802,516.97
Miscellaneous deferred debits	<u>392,581.79</u>
Total deferred debits	\$ 1,591,505.94

VII. MISCELLANEOUS DEBIT ITEMS

Discount on capital stock	<u>1,588,687.45</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$184,454,086.83</u>

LIABILITIES AND OTHER CREDITS

VIII. CAPITAL AND LONG-TERM LIABILITIES

Capital stock	\$ 51,087,350.00
Premium on capital stock	2,400,000.00
Long-term debt	<u>31,743,000.00</u>
Total capital and long-term liabilities	\$ 85,230,350.00

X. CURRENT AND ACCRUED LIABILITIES

Accounts payable		
A. Affiliated companies	\$	None
B. Others		<u>4,038,705.08</u>
Total accounts payable	\$	4,038,705.08
Consumers' deposits		261,581.44
Dividends declared		334,314.26
Taxes accrued		<u>9,368,141.09</u>
Total current and accrued liabilities	\$	14,002,741.87

XI. DEFERRED CREDITS

Consumers' advances for construction	\$	893,086.32
Miscellaneous deferred credits		<u>1,172.86</u>
Total deferred credits	\$	894,259.18

XII. RESERVES

Reserve for retirements	\$	71,390,056.48
Casualty and insurance reserve		2,163,327.31
Miscellaneous reserves		<u>2,553,957.24</u>
Total reserves	\$	76,107,341.03

XIV. UNAPPROPRIATED SURPLUS

Profit and loss balance	\$	<u>8,219,394.75</u>
TOTAL LIABILITIES AND OTHER CREDITS		<u>\$184,454,086.83</u>

Applicant's outstanding capital stock consists of the following:

Preferred stock, 6% cumulative, par value \$25 per share	\$ 2,711,550.00
Preferred stock, Series A, 6% cumulative, par value \$25 per share	19,575,800.00
Common stock, par value \$25 per share	<u>28,800,000.00</u>
Total	<u>\$51,087,350.00</u>

Pursuant to Commission authority, Applicant has issued \$35,000,000 principal amount of first mortgage bonds, 3-1/4% Series, due 1970 (the bonds are dated October 1, 1940, and are due October 1, 1970). Since their issue Applicant has redeemed \$3,257,000 principal amount, leaving \$31,743,000 outstanding on March 31, 1947.

The \$12,000,000 of bonds which Applicant asks permission to issue will be dated July 1, 1947, and mature July 1, 1977. They will constitute a new series of bonds designated as "First Mortgage Bonds 2-7/8% Series due 1977" and will be issued under Applicant's trust indenture dated October 1, 1940, as modified by its proposed supplemental indenture to be dated July 1, 1947. The interest on the bonds is payable semi-annually on the first day of January and the first day of July of each year. A copy of the proposed supplemental indenture is on file in this application as Exhibit "C". Among other things, it confirms the lien of Applicant's first mortgage on real property acquired after October 1, 1940. It also contains the form of the new series of bonds. They are redeemable at the option of Applicant, at any time prior to maturity, after due notice, either as a whole or in part, by lot, upon the payment of the accrued interest to the date fixed for the redemption of the bonds plus that percentage of the principal amount thereof applicable to such date, in accordance with the following (wherein all dates are inclusive), namely, from date of issue to June 30, 1952, 108%; July 1, 1952, to June 30, 1953, 105%; July 1, 1953, to June 30, 1955, 104-3/4%; July 1, 1955, to June 30, 1957, 104-1/2%; July 1, 1957, to June 30, 1958, 104-1/4%; July 1, 1958, to June 30, 1960, 104%; July 1, 1960, to June 30, 1961, 103-3/4%; July 1, 1961, to June 30, 1962,

103-1/2%; July 1, 1962, to June 30, 1964, 103-1/4%; July 1, 1964, to June 30, 1965, 103%; July 1, 1965, to June 30, 1966, 102-3/4%; July 1, 1966, to June 30, 1967, 102-1/2%; July 1, 1967, to June 30, 1968, 102-1/4%; July 1, 1968, to June 30, 1969, 102%; July 1, 1969, to June 30, 1971, 101-3/4%; July 1, 1971, to June 30, 1972, 101-1/2%; July 1, 1972, to June 30, 1973, 101-1/4%; July 1, 1973, to June 30, 1974, 101%; July 1, 1974, to June 30, 1975, 100-3/4%; July 1, 1975, to June 30, 1976, 100-1/2%; July 1, 1976, to June 30, 1977, 100%.

Applicant will sell the \$12,000,000 of bonds pursuant to the competitive bidding requirements of the Commission. It intends to receive bids at Room 934, 810 South Flower Street, **LOS ANGELES**, up to 9:30 A.M. Pacific Standard Time on June 23, 1947, or on such later date as may be fixed by Applicant as provided in the statement of terms and conditions relating to bids for the purchase of said bonds.

Applicant asks permission to use the bond proceeds to pay the expenses, estimated at \$79,472, of issuing the bonds; to discharge indebtedness, estimated at \$5,000,000, due Pacific Lighting Corporation; to reimburse its treasury because of income expended for the purposes set forth in Section 52 of the Public Utilities Act; and for the acquisition of property and the construction, extension or improvement of its facilities. In Exhibit "E", Applicant reports its estimated construction expenditures for the year 1947 at \$25,206,074, which it summarizes as follows:

Gas production capital (manufactured gas)	\$	18,059
Gas production capital (natural gas)		202,878
Transmission capital		9,372,485
Distribution capital		13,251,460
General capital		<u>2,361,192</u>
Total		<u>\$25,206,074</u>

Applicant estimates that by the time the proceeds from the sale of the bonds become available it will have borrowed \$5,000,000 from the Pacific Lighting Corporation to carry forward its construction program. Included in its 1947 construction program is Applicant's proportion of the cost of completing the new gas transmission line, commonly referred to as the Texas Line, extending from Santa Fe Springs to Blythe, California. Applicant's estimated expenditures on this project for 1947 are reported at \$8,019,000.

O R D E R

The Commission has considered Applicant's requests 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 \$12,000,000 face amount of First Mortgage Bonds, 2-7/8% Series due 1977, by Southern California Gas Company is reasonably required by said Southern California Gas Company 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 California Gas Company may, after the effective date hereof and on or before August 1, 1947, issue and sell at a price to be fixed by a supplemental order, \$12,000,000 face amount of its First Mortgage Bonds, 2-7/8% Series due 1977.

2. Southern California Gas Company 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 \$79,472.
- (b) To reimburse Applicant's treasury because of income expended for the construction and acquisition of properties, the cost of which is chargeable to fixed capital accounts under the system of accounts prescribed by the Commission, to pay indebtedness due Pacific Lighting Corporation, and to pay in part the cost of additions to Applicant's properties as outlined in Exhibit "E" on file in this application.
- (c) The accrued interest may be used by Applicant for general corporate purposes.

3. Pending the preparation and delivery of definitive bonds, Southern California Gas Company may issue, sell and deliver temporary bonds in the face amount of \$12,000,000 under the same terms and conditions as those under which it is authorized to issue and sell said \$12,000,000 of definitive bonds.

4. Southern California Gas Company shall publish an invitation for proposals for the purchase of said \$12,000,000 of bonds as soon as practical after the registration statement filed with the Securities and Exchange Commission is declared effective, said invitation for proposals to purchase said bonds to be

in form similar to that on file in this application as Exhibit "F".

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

6. The authority herein granted to issue and sell said \$12,000,000 of bonds will become effective when the Public Utilities Commission of the State of California has entered a supplemental order fixing the price at which Southern California Gas Company may sell said \$12,000,000 of bonds, and when said Southern California Gas Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Six Thousand (\$6,000.00) Dollars. All other authority granted by this order is effective as of the date hereof.

7. Southern California Gas Company 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 \$12,000,000 of bonds, a statement showing in detail the expenses incurred by it in connection with the issue and sale of said \$12,000,000 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 July 1, 1947.

Dated at San Francisco California, this 27th
day of May 1947.

Harold Kula
Justin F. Galloway
Joseph P. Luce
A. J. [unclear]
Samuel H. [unclear]
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
MAY 27 1947
\$ 6000.00
[Signature]