

Decision No. 41003

**ORIGINAL**

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	:	Application
and sell Three Million Dollars	)	No. 28879
(\$3,000,000) of Common Stock under	:	
the provisions of Section 52 of	)	
The Public Utilities Act.	:	
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O P I N I O N

This is an application by Southern Counties Gas Company of California for an order of the Public Utilities Commission authorizing it to issue and sell at par, 30,000 shares of its common stock of the aggregate par value of \$3,000,000, and to use the proceeds to pay indebtedness due Pacific Lighting Corporation.

Southern Counties Gas Company of California is engaged in the business of purchasing, collecting, transporting, distributing and selling natural gas in the counties of Los Angeles, San Bernardino, Riverside, Ventura, Orange, Santa Barbara and San Luis Obispo. It has reported its operating revenues at \$14,787,399 during 1945, at \$15,194,583 during 1946, and at \$13,509,826 during the first ten months of 1947, and its net income at \$1,332,023 during 1945, at \$1,775,596 during 1946 and at \$1,320,083 during the first ten months of 1947. It has paid dividends on its outstanding common stock of \$1,340,000 in 1945 and of \$1,276,000 in 1946, being at the rates of 12.18% and

11.60%, respectively, and dividends of \$693,000 during the first ten months of 1947, an amount equivalent to 6.3% of the par value of the outstanding common stock. It reports its balance sheet as of October 31, 1947, as follows:

<u>Assets</u>	
Fixed capital in service	\$52,148,472.85
Fixed capital under construction	673,360.31
Miscellaneous investments	51,398.17
Current assets -	
Cash and deposits	\$1,068,550.09
Notes and accounts payable	924,678.17
Materials and supplies	1,646,526.33
Miscellaneous	9,650.07
Total current assets	3,649,404.66
Sinking funds	171,420.00
Deferred debits	185,433.22
Total	<u>\$56,879,489.21</u>

<u>Liabilities</u>	
Capital stock--common	\$11,000,000.00
Long-term debt	17,872,000.00
Current liabilities -	
Accounts payable	\$ 757,354.31
Due Pacific Lighting Corp.	2,162,895.01
Consumers' deposits	84,008.07
Accrued liabilities	2,461,228.82
Miscellaneous	28,537.94
Total current liabilities	5,494,024.15
Deferred credits	829,546.61
Reserves	18,630,225.99
Profit and loss balance	3,053,692.46
Total	<u>\$56,879,489.21</u>

All of applicant's outstanding stock is owned by Pacific Lighting Corporation. Applicant's Articles of Incorporation, as recently amended, give preemptive rights to purchase common stock to the existing common stockholders. For many years it has been the policy of applicant to offer new issues of common stock to its then holders of common stock.

Applicant now proposes to issue additional shares of stock in the aggregate amount of \$3,000,000 and to sell said shares of stock at par to Pacific Lighting Corporation, and use the proceeds to pay indebtedness in favor of that corporation. It reports that its indebtedness due Pacific Lighting Corporation aggregated \$2,162,895.01 as of October 31, 1947, as set forth in the foregoing balance sheet, and will be approximately \$3,000,000 on November 30, 1947.

It further reports that the money borrowed from Pacific Lighting Corporation has been or will be used for the construction, completion, extension or improvement of its gas plant. The Commission in general is familiar with applicant's construction program. In Application No. 28227, filed with the Commission on February 19, 1947, the company reported unreimbursed capital expenditures as of December 31, 1946, of \$2,970,000, and it estimated its gross capital additions during 1947 at \$9,335,970, as shown in some detail in Exhibit "E" filed in Application No. 28227. The latter figure included \$3,385,000, representing applicant's portion of the joint Texas pipeline project, of which amount, however, the sum of \$842,561 had been expended during 1946, and also included \$2,376,000 estimated necessary for 18,000 new consumers during the year. By Decision No. 40014, dated March 4, 1947, as amended in Application No. 28227, the Commission authorized the company to issue and sell \$6,000,000 of 3% bonds, due 1977, at 106.801% of their principal amount plus accrued interest for the purpose of reimbursing the treasury in the amount of \$2,970,000 for capital expenditures made on or before December 31, 1946, and of financing in part 1947 capital costs. Applicant has found it necessary to borrow money from

Pacific Lighting Corporation to pay construction expenses.

The order following will authorize applicant to issue 30,000 shares of common stock, at par, for the purpose of paying indebtedness. In making this order the Commission desires to place applicant upon notice that it will not regard the dividends paid on its common stock as determining or fixing the rate of return applicant should be allowed to earn or as representing the cost of money obtained through the issue of common stock.

O R D E R

Southern Counties Gas Company of California having applied to the Public Utilities Commission for permission to issue and sell \$3,000,000 par value of its common stock and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern Counties Gas Company of California, after the effective date hereof and on or before February 28, 1943, may issue and sell, at not less than par, 30,000 shares of its common capital stock of the aggregate par value of \$3,000,000 and use the proceeds to pay indebtedness due Pacific Lighting Corporation

which was incurred for the purpose of constructing, completing, extending and improving its gas plants and properties.

2. Southern Counties Gas Company of California shall file with the Commission a report, or reports, of the issue of the stock herein authorized and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective ten (10) days from the date hereof.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold P. Kule  
Justin J. Cramer  
Paul H. Powell  
R. J. Dwyer

Commissioners