

ORIGINAL

Decision No. 41683

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 authorizing
it to issue and sell three hundred and
eighty-four thousand (384,000) shares
at par aggregating Nine Million Six
Hundred Thousand Dollars (\$9,600,000)
of Common Stock under the provisions
of Section 52 of the Public Utilities
Act.

Application
No. 29375

O P I N I O N

In this application, Southern California Gas Company applies to the Public Utilities Commission for an order authorizing it to issue 384,000 shares of common stock, of the par value of \$25 each and of the aggregate par value of \$9,600,000, and to sell the same at par for cash for the purpose of reimbursing its treasury for moneys expended or to be expended for the acquisition of property or for the construction, completion, extension or improvement of its facilities.

Southern California Gas Company is a corporation organized on or about October 4, 1910, under the laws of the State of California. It is engaged in the business of purchasing, distributing and selling natural gas as a public utility in the southern portion of California. It has reported its operating revenues at \$49,736,247 for 1945, at \$52,869,605 for 1946 and at \$60,200,758 for 1947, with net income of \$4,022,448 for 1945, of \$5,794,512 for 1946 and of \$6,074,213 for 1947. For the four months ended April 30, 1948, it reports operating revenues of \$29,310,581.78 and net income of \$4,837,933.13. Its assets and liabilities as of April 30, 1948, are as follows:

Assets

Fixed capital in service		\$189,225,656.39
Fixed capital under construction		5,105,855.04
Miscellaneous investments		202,110.80
Current assets -		
Cash and deposits	\$5,184,140.61	
Notes and accounts receivable	5,807,347.42	
Materials and supplies	3,126,257.56	
Jobbing accounts	16,614.16	
Miscellaneous	<u>15,222.13</u>	
Total current assets		14,149,581.88
Deferred debits		1,184,613.22
Discount on capital stock		<u>1,538,687.45</u>
Total assets		<u>\$211,456,504.78</u>

Liabilities

Capital stock		\$ 51,087,350.00
Premium on capital stock		2,400,000.00
Long-term debt		42,868,000.00
Current liabilities -		
Due affiliated companies	\$6,480,542.38	
Other accounts payable	4,689,119.14	
Consumers' deposits	308,173.79	
Accrued liabilities	<u>8,773,199.78</u>	
Total current liabilities		20,251,035.09
Consumers' advances for construction		1,162,896.77
Other deferred credits		333,273.89
Reserve for retirements		75,928,170.07
Other reserves		4,362,143.87
Profit and loss		<u>13,063,635.09</u>
Total liabilities		<u>\$211,456,504.78</u>

Since April 30, 1948, the company has issued and sold \$15,000,000 of bonds, bringing its total outstanding long-term debt up to \$57,868,000 of first mortgage bonds, consisting of \$30,868,000 of 3½% bonds due 1970, \$12,000,000 of 2-7/8% bonds due 1977 and \$15,000,000 of 3½% bonds due 1978.

The company's Articles of Incorporation, as now amended, provide for an authorized capital stock of \$100,000,000, divided into 4,000,000 shares of the par value of \$25 each. The following statement shows the authorized shares of stock, the number of shares presently outstanding and the total par value of such outstanding shares:

	<u>Shares Authorized</u>	<u>Shares Issued and Outstanding</u>	<u>Aggregate Par Value - Shares Issued and Outstanding</u>
Preferred - 6% Cumulative Series A, 6% Cumulative	160,000	108,462	\$ 2,711,550
Common	<u>2,240,000</u> <u>1,600,000</u>	<u>783,032</u> <u>1,152,000</u>	<u>19,575,800</u> <u>28,800,000</u>
Total	<u>4,000,000</u>	<u>2,043,494</u>	<u>\$51,087,350</u>

All of the outstanding common shares, except 44 shares of the aggregate par value of \$1,100, are reported held by Pacific Lighting Corporation. During the last five years, dividends have been reported paid on the common shares as follows:

<u>Year</u>	<u>Rate Percent</u>	<u>Amount Per Share</u>	<u>Total</u>
1943	10.40%	\$2.60	\$2,995,200
1944	12.00	3.00	3,456,000
1945	9.00	2.25	2,592,000
1946	11.00	2.75	3,168,000
1947	9.60	2.40	2,764,800

In making this application for authorization to issue additional shares of common stock, the company reports that it proposes to offer them to the holders of its presently outstanding common shares in the ratio of one share for each three shares, or major fraction of three shares, now held by such stockholders. Under its Articles of Incorporation, as now amended, the shareholders of common stock of the company have the full preemptive right to purchase and/or subscribe for additional shares of common stock if and when offered for subscription or sale. The holders of the shares of the preferred stocks have no preemptive or other subscription rights.

The company proposes to issue and sell the additional \$9,600,000 of stock at this time to reimburse its treasury for moneys actually expended for capital purposes and to meet its construction program. It reports its expenditures already made in 1948 or estimated to be made during the remainder of the year and

the sources of funds to meet such requirements, as follows:

Cash required for 1948 construction budget, and reimbursement of temporary advances from Pacific Lighting Corporation for construction purposes:

1948 construction budget	\$27,266,000
Amount due Pacific Lighting Corporation, January 1, 1948	<u>5,136,000</u>
	<u>\$32,402,000</u>

Sources of Funds:

Proceeds from sale of bonds	\$15,568,000
Sale of 384,000 shares of stock	9,600,000
Depreciation reserve	6,400,000
Undistributed earnings	<u>834,000</u>
	<u>\$32,402,000</u>

It is estimated that the company's construction budget for the year 1949 will be about \$23,000,000.

The company's 1948 construction program heretofore has been outlined to the Commission by the company in some detail in its Application No. 29180, filed on March 17, 1948. The record in that proceeding shows that the estimated expenditures for 1948 are segregated as follows:

Gas production capital	\$ 502,368
Transmission capital	5,355,825
Distribution capital	19,362,625
General capital	<u>2,045,654</u>
Total	<u>\$27,266,472</u>

The proposed expenditures for transmission capital include \$2,337,000 for the company's share of the 1948 costs for the Blythe compressor station and related Texas pipe line facilities. Other major items of property include a 30-inch transmission line from Santa Fe Springs to supply the Pasadena area, in excess of four hundred miles of distribution mains for new business, the replacement of approximately one hundred miles of distribution mains, the installation of approximately 56,500 services, meter

and regulator assemblies for new business, and the purchase of 50,000 meters and 10,000 regulators for replacements. The estimated retirements to be made during 1948 are stated at \$2,950,000.

A review of the company's application and of its financial statements indicates that it is in need of additional funds to carry on its construction program and that the issue of additional common stock at this time is warranted. In making this order the Commission desires to place the company 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.

ORDER

Southern California Gas Company having applied to the Public Utilities Commission for permission to issue and sell \$9,600,000 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 California Gas Company, after the effective date hereof and on or before October 31, 1948, may offer 384,000 shares of its common stock for subscription at \$25 per share to

the holders of its common stock in the ratio of one share of common stock for each three shares or major fraction of three shares held by such stockholders, and upon receipt by Applicant of subscriptions properly executed and the sale price of the shares covered by the subscriptions, issue stock certificates for the appropriate number of shares.

2. Southern California Gas Company shall use the proceeds from the issue and sale of said shares of stock to reimburse its treasury for moneys expended or to be expended for the acquisition of property, or for the construction, completion, extension, or improvement of Applicant's facilities referred to in the foregoing opinion.

3. Southern California Gas Company 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.

4. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 8th day
of June, 1948.

~~R. F. [unclear]~~
Justice F. C. [unclear]
James R. [unclear]
Harold P. [unclear]
Kenneth P. [unclear]

Commissioners