

ORIGINAL

Decision No. 42582

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 60,000 shares of its Common)	Application
Stock at the par value of \$100 a	:	No. 30082
share, aggregating \$6,000,000, under)	
the provisions of Section 52 of the	:	
Public Utilities Act.)	
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OPINION

In this application, Southern Counties Gas Company of California, hereafter sometimes referred to as Applicant, asks permission to issue and sell, at par, for the purposes hereafter stated, 60,000 shares of its common stock of the aggregate par value of \$6,000,000.

Applicant is engaged in the business of purchasing, collecting, transporting, distributing and selling natural gas in portions of the Counties of Los Angeles, San Bernardino, Riverside, Ventura, Orange, Santa Barbara and San Luis Obispo, in the State of California. It has reported its operating revenues at \$15,194,583 for 1946, at \$16,797,816 for 1947, and at \$22,192,734 for 1948. Its net income for 1946 amounted to \$1,775,596, for 1947 to \$1,596,064, and for 1948 to \$1,793,312. In 1946 it paid on its outstanding common stock dividends in the amount of \$1,276,000, in 1947 \$825,000, and in 1948 \$1,120,000. The dividends were at the rates of 11.6%, 5.89% and 8%, respectively, on the par value of Applicant's outstanding stock.

As of December 31, 1948, Applicant reports its assets and liabilities as follows:

Assets

Fixed capital in service		\$60,662,980.67
Fixed capital under construction		241,452.06
Miscellaneous investments		403,536.69
Current and accrued assets		6,920,973.61
Cash and special deposits	\$ 2,828,109.90	
Notes receivable	517.31	
Accounts receivable	1,657,797.51	
Material and supplies	2,427,256.37	
Miscellaneous current and accrued assets	7,292.52	
Deferred debits		212,062.77
Unamortized debt discount and expense	25,177.96	
Work in progress	17,254.71	
Prepayments	67,661.78	
Miscellaneous deferred debits	101,968.32	
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	Total assets:	<u>\$68,441,005.80</u>

Liabilities

Capital stock		\$14,000,000.00
Long-term debt		24,713,000.00
Current and accrued liabilities		4,447,902.42
Accounts payable	\$ 1,837,708.81	
Consumers' deposits	105,535.95	
Miscellaneous current liabilities	51,517.17	
Taxes accrued	2,112,493.42	
Interest accrued	135,833.33	
Miscellaneous accrued liabilities	204,813.74	
Unamortized premium on debt		323,532.16
Consumers' advances for construction		528,958.89
Reserves		20,380,198.87
Depreciation reserve	19,232,870.41	
Casualty and insurance reserve	684,414.62	
Miscellaneous reserves	462,913.84	
Unappropriated surplus		<u>4,047,413.46</u>
	Total liabilities	<u>\$68,441,005.80</u>

All of Applicant's outstanding stock is owned by Pacific Lighting Corporation. Applicant's articles of incorporation give preemptive rights to purchase common stock to its existing stockholders. It has been the policy of Applicant for many years to offer new issues of common stock to its then holders of common stock.

Applicant, in Exhibit "B", estimates its capital expenditures for the year 1949 at \$11,560,470, segregated as follows:

Distribution mains, services and meters	\$ 3,240,000
Distribution system betterments	1,005,400
Transmission line-Moreno to Rainbow-to serve San Diego Gas and Electric Company	1,939,300
Transmission line-Rivera to Crenshaw Blvd.	443,000
Relocate meter and station and miscellaneous additions-Huntington Beach to San Diego	61,500
Additions to Ventura & Blythe Compressor Stations	180,250
Buildings	992,800
Additions to Texas pipeline system	459,520
Replacement of mains and services	988,000
Goleta to Haskell Station project	1,430,000
Acquisition of land	44,000
Motor transport equipment	210,000
Miscellaneous additions	252,700
Contingent distribution and transmission system betterments	<u>314,000</u>
Total	<u>\$11,560,470</u>

In its petition, Applicant reports that \$1,811,000 of said expenditures are contingent upon obtaining the necessary materials.

Applicant further reports that from January 1, 1941, to December 31, 1948, it has expended for capital purposes \$8,698,422.03 which it did not obtain from the issue of stocks or bonds. The funds used to pay for such expenditures represent in the main depreciation accruals and net income not distributed as dividends.

Applicant asks permission to use the proceeds obtained from the issue of the \$6,000,000 of stock to reimburse its treasury because of capital expenditures already made for the construction, completion, extension or improvement of its properties and to finance in part the proposed construction of capital

additions or betterments during the year 1949.

The order herein will authorize Applicant to issue the \$6,000,000 of common stock. However, 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 Commission for permission to issue and sell \$6,000,000 par value of its common stock, the Commission having considered its application and it being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required by Southern Counties Gas Company of California for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern Counties Gas Company of California, after the effective date hereof and on or before June 30, 1949, may issue and sell, at not less than \$100 per share, 60,000 shares of its common stock, such shares to be offered to Applicant's existing stockholder pursuant to the preemptive right possessed by such

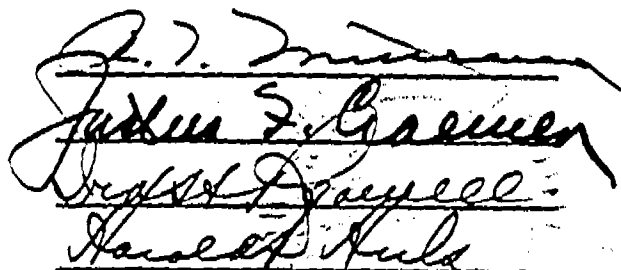
holder.

2. Southern Counties Gas Company of California shall apply the proceeds obtained through the issue and sale of said 60,000 shares of common stock to the reimbursement of its treasury for capital expenditures already made, and to the construction, completion, extension or improvement of its facilities and services referred to in the preceding opinion.

3. Southern Counties Gas Company of California shall file with the Commission a report, or reports, showing the number of shares of stock issued under the authority herein granted, to whom said shares of stock were issued, and the consideration received therefor, such report to be filed within thirty (30) days after the issue of said shares of stock. Until such time as Applicant has expended \$6,000,000 for capital purposes, it shall file with the Commission a monthly report showing its aggregate gross and net charges segregated to gas plant accounts, the first of such reports to be for the month of March, 1949. Each monthly report is to be filed within sixty (60) days after the close of the month covered by the report.

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

Dated at Los Angeles, California, this 8th day of March, 1949.



Commissioners