

ORIGINAL

Decision No. 42957

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 )  
seven thousand two hundred (307,200) )  
shares at par aggregating Seven Million ) Application  
Six Hundred Eighty Thousand Dollars ) No. 30290  
(\$7,680,000) of Common Stock under the )  
provisions of Section 52 of the Public )  
Utilities Act. )  
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T. J. Reynolds, Milford Springer and L. T. Rice,  
for Applicant.

HULS, Commissioner

O P I N I O N

In this application, Southern California Gas Company asks permission to issue and sell, at par, for the purposes hereafter stated, 307,200 shares of its common stock, of the par value of \$25 each and of the aggregate par value of \$7,680,000.

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. It has reported its operating revenues at \$49,736,247 for 1945, at \$52,869,605 for 1946, at \$60,200,758 for 1947, and at \$73,085,829 for 1948, with net income of \$4,022,448 for 1945, of \$5,794,512 for 1946, of \$6,074,213 for 1947, and of \$6,418,594 for 1948. For the

three months ended March 31, 1949, it reports operating revenues of \$27,172,319 and net income of \$4,532,642. Its assets and liabilities as of March 31, 1949, are reported as follows:

#### Assets

Fixed capital in service		\$220,995,998.92
Fixed capital under construction		93,913.42
Miscellaneous investments		171,740.20
Current assets:		
Cash and deposits	\$ 7,066,500.56	
Notes and accounts receivable	7,093,127.99	
Materials and supplies	4,566,313.92	
Miscellaneous	<u>192,023.23</u>	
Total current assets		18,917,965.70
Deferred debits		318,579.95
Discount on capital stock		<u>1,588,687.45</u>
Total assets		<u>\$242,086,885.64</u>

#### Liabilities and Capital

Capital stock		\$ 60,687,350.00
Premium on capital stock		2,400,000.00
Long term debt		57,868,000.00
Current liabilities:		
Customers' deposits	\$ 335,280.98	
Due affiliated companies	1,476,496.35	
Other accounts payable	5,346,155.90	
Accrued liabilities	<u>10,807,617.78</u>	
Total current liabilities		17,965,551.01
Customers' advances for construction		1,259,783.83
Other deferred credits		1,010,320.64
Reserve for retirements		78,566,289.57
Other reserves		5,151,399.42
Contributions in aid of construction		2,847,013.41
Earned surplus		<u>14,331,177.76</u>
Total liabilities and capital		<u>\$242,086,885.64</u>

The company's Articles of Incorporation provide for an authorized capital stock issue 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:

	: Shares : : Authorized:	: Shares issued : : and outstanding:	: Aggregate par value : Shares issued and : outstanding
Preferred -			
6% Cumulative	160,000	108,462	\$ 2,711,550
Series A 6% Cumu-			
lative	840,000	783,032	19,575,800
Common	<u>3,000,000</u>	<u>1,536,000</u>	<u>38,400,000</u>
Total	<u>4,000,000</u>	<u>2,427,494</u>	<u>\$60,687,350</u>

During the last five years, according to the application, dividends were paid on the outstanding common stock at the rate of 12% in 1944, 9% in 1945, 11% in 1946, 9.6% in 1947 and 9.6% in 1948.

In making this application for authorization to issue additional shares of common stock, the company reports that it proposes to offer the 307,200 shares of common stock to the holders of its presently outstanding common shares in the ratio of one share for each five shares, or major fraction of five shares, now held by such stockholders. Under its Articles of Incorporation, 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.<sup>(1)</sup>

The company estimates its gross construction expenditures (Exhibit "C") during 1949 at \$30,507,901, segregated as follows:

(1)

The testimony shows the holders of the company's common stock to be

Pacific Lighting Corporation  
S. B. Wager

1,535,941 shares  
59 shares

Transmission system	\$ 6,226,650
Distribution system	18,500,705
Buildings and improvements to land	3,625,580
Automobiles, tools and construction equipment	1,597,751
Furniture, office equipment and miscellaneous	458,215
Land	<u>99,000</u>
Total	<u>\$30,507,901</u>

The company's petition shows that it intends to obtain the moneys necessary to finance said expenditures from the following sources:

Sale of 307,200 shares of common stock	\$ 7,680,000
Cash on deposit with Pacific Lighting Corporation	253,000
Depreciation reserve accruals	6,963,000
Sale of bonds	<u>15,612,000</u>
Total	<u>\$30,508,000</u>

It is of record that if the company does not issue said 307,200 shares of common stock, it will owe Pacific Lighting Corporation, by June 30, 1949, about \$7,000,000. The money thus borrowed, or an amount equal thereto, has been or will be used to pay in part the cost of acquiring or constructing the properties set forth in Exhibit "C".

The company asks permission to use the stock proceeds to reimburse its treasury for moneys actually expended for the acquisition of property and for the construction, completion, extension or improvement of its facilities. The evidence does not justify the Commission to authorize the company to use the stock proceeds for that purpose. The proceeds should be used to pay indebtedness due Pacific Lighting Corporation, or to pay in part the cost of acquiring and constructing the properties referred to in Exhibit "C".

A review of the record clearly indicates that the company is in need of additional funds to meet its construction requirements and that it should obtain part of such funds through the issue of common stock. The order herein will authorize the company to issue and sell, at par, said 307,200 shares of common stock to the holders of its common stock. However, 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 which the company should be allowed to earn, or as representing the cost of money obtained through the issue of the common stock.

I recommend the following form of order.

O R D E R

Southern California Gas Company having applied to the Commission for an order authorizing it to issue 307,200 shares of common stock of the aggregate par value of \$7,680,000, and the Commission having considered the evidence submitted at the hearing had on this application and being of the opinion that the money, property or labor to be procured or paid for through the issue and sale of said shares of common stock is reasonably required by Southern California Gas Company for the purposes herein stated, which purposes are 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 July 31, 1949, may issue and sell to

the holders of its common stock, at not less than their par value, 307,200 shares of its common capital stock of the aggregate par value of \$7,680,000, said shares of stock to be offered to the company's holders of common stock pursuant to the preemptive rights possessed by them and in the ratio referred to in this application. Any shares of said common stock not subscribed for by the holders of the company's outstanding common stock may be issued and sold only upon such terms and conditions as may be authorized by a supplemental order in this application.

2. Southern California Gas Company shall use the proceeds received from the issue and sale of said shares of common stock to pay its indebtedness due Pacific Lighting Corporation and to pay in part the cost of acquiring and constructing the properties referred to in Exhibit "C" on file in this application.

3. Southern California Gas Company shall file with the Commission, on or before August 31, 1949, a report showing the names of the purchasers of said 307,200 shares of stock, or any part thereof, the consideration received for the shares of stock issued and sold, and the purposes for which it expended the proceeds.

4. The authority herein granted is effective upon the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 7<sup>th</sup> day  
of June, 1949. .

R. Z. Anderson

Robert Russell

Harold Kule

Samuel P. Pitter  
Commissioners