

ORIGINAL

Decision No. 43918

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 20,000 shares of its Common)
Stock at the par value of \$100 a)
share, aggregating \$2,000,000, under)
the provisions of Section 52 of the)
Public Utilities Act.)
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Application
No. 30993

LeRoy M. Edwards and Milford Springer, by
Milford Springer, for applicant.

HULS, Commissioner

O P I N I O N

In this application, Southern Counties Gas Company of California asks permission to issue 20,000 shares (\$2,000,000 par value) of its common stock and to sell such shares, at par, to Pacific Lighting Corporation, the owner of all its presently outstanding shares of stock.

Applicant has an authorized capital stock of 500,000 shares of the par value of \$100 each, and of the aggregate par value of \$50,000,000, divided into 100,000 shares of preferred stock and 400,000 shares of common of which 200,000 shares of common presently are outstanding. The application shows that during the last five years dividends on the outstanding stock have been paid as follows:

	Common Stock December 31	Dividends per share	Amount of dividends
1945	\$ 11,000,000	\$12.20	\$1,342,000.00
1946	11,000,000	11.60	1,276,000.00
1947	14,000,000	7.50*	825,000.00
1948	14,000,000	8.00	1,120,000.00
1949	(14,000,000	7.95	1,113,000.00)
	(6,000,000**	6.00	360,000.00)

*On 110,000 shares

**Additional \$6,000,000 par value of common stock
issued March 29, 1949.

In addition to the common stock, applicant reports that it has outstanding \$24,217,000 of first mortgage bonds, consisting of \$17,217,000 of 3% bonds and \$7,000,000 of 3½% bonds, and that, as of December 31, 1949, it was indebted to Pacific Lighting Corporation in the amount of \$1,408,339 on advances bearing interest at the rate of 2½% per annum. Its assets and liabilities as of December 31, 1949, were reported as follows:

Assets

Gas plant		\$72,441,768.35
Other investments		319,348.64
Current and accrued assets -		
Cash and deposits	\$1,426,927.00	
Notes and accounts receivable	1,994,195.25	
Materials and supplies	1,865,950.81	
Prepayments	99,877.57	
Total current and accrued assets		5,386,950.63
Deferred debits		98,897.21
Capital stock expense		6,600.00
	Total	<u>\$78,253,564.83</u>

Liabilities

Capital stock - common		\$20,000,000.00
Bonds		24,217,000.00
Current and accrued liabilities -		
Accounts payable	\$1,728,945.51	
Payable to associated companies	1,409,594.12	
Customers' deposits	126,931.65	
Interest and taxes accrued	2,008,085.44	
Other items	352,265.02	
Total current and accrued liabilities		5,625,821.74
Deferred credits		950,150.66
Reserve for depreciation of gas plant		20,645,116.95
Other reserves		1,296,341.32
Contributions in aid of construction		1,104,062.73
Earned surplus		<u>4,415,071.43</u>
	Total	<u>\$78,253,564.83</u>

If authorized by the Commission to issue and sell the additional \$2,000,000 of stock as here requested, applicant proposes to use the proceeds to pay indebtedness to Pacific Lighting Corporation heretofore incurred for the construction, completion, extension or improvement of its facilities,⁽¹⁾ to reimburse its treasury for capital expenditures heretofore made, and to finance in part its estimated capital expenditures during 1950.

The record shows that applicant had approximately 329,000 active meters attached to its lines at the close of 1949 and that it estimates a gain of approximately 23,000 in 1950. A summary of its 1950 construction requirements to provide service to additional customers and to extend its facilities is shown in Exhibit 1 as follows:

Expenditures required to connect 23,000 added meters	\$ 3,263,900
Betterments - gas distribution, transmission and production facilities	4,586,675
Buildings and improvements to grounds	1,356,000
Replacement of 296,000' of main due to corrosion, at \$2.51 per foot	742,960
Replacement of 4,200 services due to corrosion, at \$65.00 per service	273,000
Motor transport equipment	165,000
Furniture, tools, shop, laboratory and communications equipment	347,500
Land and land rights	<u>28,000</u>
Total gross additions	\$10,763,035
Less capital retirements	<u>722,600</u>
Total net capital additions	\$10,040,435
Cost of rights of way for pipeline to be built in 1951	<u>125,000</u>
Grand Total	<u>\$10,165,435</u>

⁽¹⁾ The indebtedness to Pacific Lighting Corporation had been reduced to approximately \$1,273,000 as of March 1, 1950.

From Exhibit 5 filed at the hearing had in this matter, it appears that applicant estimates approximately \$2,685,000 of its 1950 capital requirements will be provided with moneys represented by depreciation accruals and earned surplus, leaving a balance of approximately \$7,500,000 to be obtained through the issue of the stock covered by this application and through further issues of securities later in the year. Applicant reports that it is contemplating additional debt financing in October.

A review of the record indicates that applicant will have need for funds from securities to improve its cash position and to carry on its 1950 construction program, and that the issue and sale of additional common stock at this time should be authorized. Applicant is placed upon notice that the Commission will not regard the dividends paid on its common stock as representing the cost of money obtained through its issue or as fixing the rate of return which applicant should be allowed to earn.

The following form of order is recommended.

O R D E R

Southern Counties Gas Company of California having applied to the Commission for permission to issue and sell \$2,000,000 par value of its common stock, a public hearing having been held and the Commission having considered the application and being of the opinion 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, 1950, may issue and sell, at not less than \$100 per share, 20,000 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 20,000 shares of common stock to pay indebtedness to Pacific Lighting Corporation, to reimburse its treasury for capital expenditures already made, and to construct, complete, extend or improve its facilities and services, as referred to in the preceding opinion.

3. Southern Counties Gas Company of California shall file with the Commission a report 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 \$2,000,000 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, 1950. 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.

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 14th day of March, 1950.

J. J. [Signature]
Justice J. C. [Signature]
Justice J. [Signature]
Harold J. [Signature]
[Signature]
Commissioners