

**ORIGINAL**

Decision No. 44170

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 authoriz- )  
 ing it to issue and sell \$25,000,000 )  
 principal amount of its First Mort- )  
 gage Bonds, 2-7/8% Series due 1980, )  
 to mortgage its properties, and to )  
 issue and deliver to American Trust )  
 Company, as Trustee, a Supplemental )  
 Indenture dated as of June 1, 1950. )  
 ----- )

Application  
 No. 31351

OPINION

This is an application for an order authorizing Southern California Gas Company to execute a Supplemental Indenture and to issue and sell \$25,000,000 principal amount of bonds.

The application shows that heretofore applicant has executed a First Mortgage Indenture, dated as of October 1, 1940, and two subsequent indentures supplemental thereto, for the purpose of securing the payment of bonds, designated as First Mortgage Bonds, issuable in series. The application shows that presently there are outstanding bonds of three series, in amounts as follows:

3-1/4% Series due 1970	\$30,243,000
2-7/8% Series due 1977	11,905,000
3-1/4% Series due 1978	<u>15,000,000</u>
Total	<u>\$57,148,000</u>

Applicant now desires to execute a new supplemental indenture, to be dated as of June 1, 1950, defining, among other things, the terms of a new series of bonds to be designated as First Mortgage Bonds, 2-7/8% Series due 1980. Such bonds will be dated June 1, 1950,

will bear interest at the rate of 2-7/8% per annum, will mature June 1, 1980, and will be subject to redemption, at the option of applicant, at the principal amount, accrued interest, and a premium of 7% if redeemed prior to May 31, 1953, and thereafter at a premium reducing each year in amount. Applicant proposes at this time to offer \$25,000,000 of such new series of bonds for sale at competitive bidding.

In support of its request to issue additional bonds, applicant reports that it has need for the proceeds to pay indebtedness and to finance the cost of additions and betterments. In Exhibit D attached to the application it reports its estimated gross expenditures for 1950 as follows:

<u>Storage Capital</u>	
Structures and improvements	\$ 81,014
Total	<u>\$ 81,014</u>
<u>Transmission Capital</u>	
Structures and improvements	\$ 163,041
Mains	6,270,183
Pumping and regulating equipment	1,020,840
Total	<u>\$ 7,454,064</u>
<u>Distribution Capital</u>	
Land and land rights	\$ 100,000
Structures and improvements	1,562,514
Mains	8,607,520
Pumping and regulating equipment	384,429
Services	5,695,844
Meters	1,275,000
Meter installations	553,709
Regulators	416,050
Other distribution system equipment	47,680
Total	<u>\$18,642,746</u>
<u>General Capital</u>	
Structures and improvements	\$ 290,149
Office furniture and equipment	160,927
Transportation equipment	408,000
Storage equipment	47,224
Shop equipment	30,600
Laboratory equipment	500
Tools and work equipment	139,414
Communication equipment	118,585
Miscellaneous equipment	34,198
Total	<u>\$ 1,229,597</u>
Total gross additions	<u>\$27,407,421</u>

The proposed expenditures include, among other items, \$4,900,578 representing applicant's portion of Texas pipeline facilities owned with Southern Counties Gas Company of California as tenants in common, \$3,061,890 for distribution main extensions, \$3,890,207 for services and \$1,691,050 for meters and regulators for new business, \$5,140,582 for distribution main replacements and betterments and \$1,805,637 for replacements of services.

Applicant estimates the sources of funds to meet its proposed expenditures as follows:

Minimum gross proceeds of bond issue	\$25,000,000	
Less estimated costs	<u>115,150</u>	
	\$24,884,850	
Less estimated amount to be applied to discharge indebtedness to Pacific Lighting Corporation in June, 1950	<u>5,500,000</u>	\$19,384,850
Depreciation reserve funds and surplus funds		<u>8,022,571</u>
		<u>\$27,407,421</u>

A balance sheet dated as of March 31, 1950, attached to the application shows outstanding bonds in the principal amount of \$57,148,000, preferred stock of \$22,287,350, common stock of \$52,500,000, and premium and earned surplus of \$16,793,801. Expressed percentage-wise, applicant's capital structure, before and after giving effect to the proposed issue of bonds, is as follows:

	<u>Books</u>	<u>Pro Forma</u>
Bonds	38.1%	47.2%
Preferred stock	15.0	12.9
Common stock, premium on common stock and surplus	<u>46.9</u>	<u>39.9</u>
	<u>100.0%</u>	<u>100.0%</u>

A review of the application clearly shows that applicant has need for additional funds from outside sources to enable it to pay indebtedness and to proceed with its construction program. The issue of bonds at this time appears to be warranted and a preliminary order accordingly will be entered. In due time applicant will file a supplemental application for the Commission's consideration, showing the terms and conditions under which it proposes to sell its bonds.

#### O R D E R

The Commission having considered the above entitled application and being of the opinion that a public hearing thereon 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 and sale of the bonds herein authorized is reasonably required by Southern California Gas Company for the purposes specified herein, and that, except as otherwise permitted in this order, such 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, 1950, may execute a Supplemental Indenture, substantially in the same form as that filed in this proceeding as Exhibit C, and may make an invitation for the purchase of \$25,000,000 principal amount of its First Mortgage Bonds, 2-7/8% Series due 1980, and may issue and sell said bonds at a price to be fixed by the Commission in a supplemental order.

2. Applicant shall use the proceeds, exclusive of accrued interest, to be obtained through the issue and sale of said bonds to pay indebtedness in favor of Pacific Lighting Corporation, to pay expenses to be incurred in connection with the sale of said bonds, to reimburse in part its treasury for moneys actually expended from income, or from moneys in its treasury not obtained from the issue of securities, for the construction or improvement of its facilities, and to finance in part its estimated 1950 construction program. The accrued interest may be used for general corporate purposes.

3. The authority herein granted to issue and sell said \$25,000,000 of bonds will become effective when the Commission has entered a supplemental order fixing the price at which Southern California Gas Company may sell said bonds and when Southern California Gas Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is nine thousand two hundred fifty (\$9,250.00) dollars. All other authority herein granted is effective upon the date hereof.

4. Southern California Gas Company shall file with the Commission two (2) copies of its prospectus, two (2) copies of its Supplemental Indenture as actually executed, and a report showing the names of those to whom said bonds were sold, the amount sold to each, and the consideration received, such filing to be made within sixty (60) days after the issue and sale of the bonds.

5. Southern California Gas Company shall file with the Commission, on or before December 31, 1950, a statement showing in detail the expenses incurred in connection with the sale of said bonds and the account, or accounts, to which such expenses were charged.

Dated at San Francisco, California, this 16<sup>th</sup> day  
of May, 1950.

R. E. Anderson

Justice J. Calver

W. S. Luce

Harold P. Kille

Russell H. Potter  
Commissioners

