

ORIGINAL

Decision No. 45142

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 30,000 shares of its Common )  
 Stock at the par value of \$100 a )  
 share, aggregating \$3,000,000, under )  
 the provisions of Section 52 of the )  
 Public Utilities Act. )  
 ----- )

Application  
No. 31920

Milford Springer, for applicant; K. C. Bean, Chief Engineer and General Manager of the Department of Public Utilities and Transportation, and Roger Arnebergh, Assistant City Attorney, for the City of Los Angeles, interested party.

O P I N I O N

Southern Counties Gas Company of California has filed this application for authority to issue and sell 30,000 shares of its common stock, of the aggregate par value of \$3,000,000. It proposes to offer said shares at their par value of \$100 each, to Pacific Lighting Corporation, the holder of all its presently outstanding shares of stock, and to use the proceeds to pay outstanding indebtedness.

A public hearing on the matter was held in Los Angeles on December 7, 1950, after due notice thereof had been given. At the hearing applicant amended its application so as to request the Commission, in the event it concluded to authorize the issue and sale of said shares of stock, to make its order become effective before December 31, 1950.

The record shows that it has been applicant's practice, in general, to finance its capital requirements with moneys borrowed

from Pacific Lighting Corporation, and from time to time to issue first mortgage bonds or common stock to repay such borrowings. Its investment in its assets and its liabilities and net worth are shown in its balance sheet as of October 31, 1950, as follows:

<u>Assets</u>		
Gas plant		\$79,856,847.54
Other investment accounts		436,042.26
Current assets -		
Cash and deposits	\$1,414,658.85	
Notes and accounts receivable	2,136,638.21	
Materials and supplies	1,482,703.26	
Prepayments	<u>159,494.76</u>	
Total current assets		5,193,495.08
Deferred debits		58,320.59
Capital stock expense		<u>8,800.00</u>
	Total	<u>\$85,553,505.47</u>
<u>Liabilities</u>		
Capital stock		\$22,000,000.00
Bonds		23,969,000.00
Current liabilities -		
Accounts payable	\$1,739,494.44	
Payable to associated companies	3,152,985.91	
Customers' deposits	128,664.10	
Other current and accrued liabilities	<u>3,890,093.88</u>	
Total current liabilities		8,911,238.33
Deferred credits		925,824.30
Reserve for depreciation		21,857,233.54
Other reserves		1,508,981.99
Contributions in aid of construction		1,115,210.34
Surplus		<u>5,266,016.97</u>
	Total	<u>\$85,553,505.47</u>

Since the date of the balance sheet the indebtedness to Pacific Lighting Corporation has increased to approximately \$3,700,000. The testimony in this proceeding shows that substantially all of this amount has been borrowed during the year 1950 to pay for additions to plant. Applicant now reports that it desires to liquidate its outstanding indebtedness, in part, that it has concluded that it is desirable to issue shares of common stock at this time, and that the issue of such shares will improve its capital

structure and place it in a position where it can sell bonds in the future under favorable terms. Applicant's capital structure as of October 31, 1950, and its pro forma structure giving effect to the proposed issue of shares of stock, are as follows:

	<u>Bonds</u>	<u>Common Stock Equity</u>
As of October 31, 1950	46.8%	53.2%
Pro forma giving effect to proposed issue	44.2%	55.8%

A review of the application and of the testimony and evidence submitted in support of it, clearly shows that applicant will have need for the funds to be obtained through the proposed issue of shares of stock to improve its financial position, and the order herein accordingly will grant applicant's request. 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 which the company should be allowed to earn, or as representing the cost of money obtained through the issue of the shares of common stock. (1)

(1)

The application shows that during the last five years, dividends on the outstanding shares of common stock have been paid as follows:

	Common Stock	Dividends	Amount of
	December 31	per share	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 28, 1949.

During 1950, dividends have been paid at the rate of 70¢ per share per month.

O R D E R

A public hearing having been held on the above entitled matter; the Commission having considered the evidence submitted at such hearing, and being of the opinion 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 the stock herein authorized is reasonably required by applicant 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 Counties Gas Company of California, after the effective date hereof and on or before March 31, 1951, may issue and sell, at not less than \$100 per share, 30,000 shares of its common stock, such shares to be offered to applicant's existing stockholder pursuant to the preemptive right possessed by such stockholder.
2. Southern Counties Gas Company of California shall use the proceeds obtained through the issue and sale of said shares of common stock to pay indebtedness to Pacific Lighting Corporation, which was incurred for the acquisition of property or for the construction, completion, extension or improvement of its facilities.
3. Southern Counties Gas Company of California shall file with the Commission a report as required by 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 upon the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of  
December, 1950.

*[Signature]*  
Justus F. Calver  
*[Signature]*  
Harold F. Hula  
*[Signature]*  
Commissioners