

ORIGINAL

Decision No. 46127

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 \$12,000,000 First
 Mortgage Bonds, 3½% Series due
 1981, to mortgage its properties,
 and to execute and deliver to
 American Trust Company, as Trustee,
 a Supplemental Indenture dated as
 of October 1, 1951.

Application
 No. 32676

O P I N I O N

Southern Counties Gas Company of California has filed this application for authority to execute a supplemental indenture and to issue and sell, at competitive bidding, \$12,000,000 in principal amount of its First Mortgage Bonds, 3½% Series due 1981, for the purpose of paying indebtedness, of reimbursing its treasury, and of financing in part construction expenditures.

Applicant is a California corporation engaged in the purchase, distribution and sale of gas in the southern portion of the state. In financing the cost of its properties it has executed a trust indenture dated as of January 1, 1941, together with subsequent indentures supplemental thereto, and has issued and now has outstanding first mortgage bonds in the aggregate amount of \$23,969,000 segregated into series as follows:

3% Series due 1971	\$10,069,000
3% Series due 1972	900,000
3% Series due 1977	6,000,000
3½% Series due 1978	<u>7,000,000</u>
Total	<u>\$23,969,000</u>

The application shows that applicant now desires to execute a Supplemental Indenture dated as of October 1, 1951, confirming the lien of the original indenture upon property which subsequently has been acquired, and creating a new series of bonds to be dated October 1, 1951, to mature October 1, 1981, and to bear interest at the rate of $3\frac{1}{2}\%$ per annum. It proposes to sell \$12,000,000 in principal amount of said new series of bonds at competitive bidding.

Applicant reports that it intends to use the proceeds from the sale of said bonds, if the issue is authorized by the Commission, to pay indebtedness to Pacific Lighting Corporation, which it estimates will aggregate \$6,900,000 as of October 1, 1951, to reimburse its treasury in part for moneys expended for the construction or improvement of its facilities, and to finance in part its 1951 construction program. It estimates its total cash requirements for capital purposes during the year in the amount of \$12,758,000, segregated as follows:

Short-term debt due Pacific Lighting Corporation at January 1, 1951	\$ 1,358,000
Mains, meters and services to supply 31,600 new customers	4,740,000
Distribution and transmission system betterments and replacements	5,514,000
Buildings, including new buildings for offices, shops, warehouses, and alterations and improvements to existing buildings	486,000
Miscellaneous, including motor transport equipment, land and furniture	<u>660,000</u>
Total	<u>\$12,758,000</u>

Applicant estimates that approximately \$758,000 will be available from internal sources to meet these expenditures, leaving \$12,000,000 to be obtained through the issue of the bonds covered by this application.

It appears that applicant has financed its capital requirements through the issue of its bonds and shares of common stock and with earnings from operations. As of June 30, 1951, its capital structure consisted of bonds in the amount of 42% of the total, and equity capital in the amount of 58%, and it is reported that the proposed issue will increase the bond proportion to approximately 52%. The application shows applicant's current and accrued assets as of the end of June in the amount of \$6,253,133 and its current and accrued liabilities in the amount of \$10,846,935 including the advances from Pacific Lighting Corporation. Applicant's revenues for the first six months of the year are reported at \$17,264,560 and the amount carried to surplus at \$2,286,395.

A review of the application clearly indicates that the issue and sale of additional securities is necessary to enable applicant to improve its cash position and to meet in part its capital requirements, and that the Commission is warranted in making a preliminary order at this time authorizing the issue of bonds as requested. Upon the filing by applicant of a supplemental application setting forth the price at which it desires to sell its bonds, the Commission will give further consideration to the matter.

O R D E R

The Commission having considered the above entitled matter, 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 of the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, are 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 November 30, 1951, may publish invitations for bids for the purchase of not exceeding \$12,000,000 in principal amount of its First Mortgage Bonds, 3½% Series due 1981, and may issue and sell said bonds at a price to be fixed by the Commission in a supplemental order in this proceeding.

2. Southern Counties Gas Company of California may execute and deliver a Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit C.

3. Southern Counties Gas Company of California shall use the proceeds to be received from the issue and sale of said \$12,000,000 of bonds, other than accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

4. Southern Counties Gas Company of California shall file a report with the Commission, on or before December 31, 1951, showing the amount of bonds issued and sold under the authority herein granted, the name or names of those to whom the bonds were sold, and the price at which they were sold, together with a statement showing the purposes for which it expended the proceeds and two (2) copies of its prospectus.

5. The authority herein granted to issue and sell bonds will become effective when the Commission by a supplemental order has fixed the price at which said bonds may be sold and when applicant has paid the fee prescribed by Section 57 of the Public Utilities

Act, which fee is six thousand (\$6,000.00) dollars. In other respects the authority herein granted is effective upon the date hereof.

6. Within six (6) months after the issue and sale of said bonds, Southern Counties Gas Company of California shall file with the Commission a statement showing in some detail the expenses incurred by it incident to such issue and sale, and the account or accounts to which such expenses were charged.

Dated at San Francisco, California, this 28th day of August, 1951.

R. I. Davidson
Justus J. Cassner
Kenneth L. Latta

Commissioners

