

ORIGINAL

Decision No. 48248

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

AMENDED TITLE)	
In the Matter of the Application of	:	
SOUTHERN COUNTIES GAS COMPANY OF)	
CALIFORNIA, a corporation, for an	:	
order authorizing it to issue and)	
sell 50,000 (herein amended to read	:	
75,000) shares of its Common Stock)	
at the par value of \$100 a share	:	Application
aggregating \$5,000,000 (herein)	No. 33992
amended to read \$7,500,000), under	:	(and Amendment)
the provisions of Section 818 of the)	
Public Utilities Code of the State	:	
of California.)	
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O P I N I O N

In this proceeding, Southern Counties Gas Company of California seeks authorization to issue and sell, at par, 75,000 shares of its common stock of the par value of \$100 each and of the aggregate par value of \$7,500,000.

The purpose of the proposed issue is to reduce applicant's indebtedness to Pacific Lighting Corporation, the holder of all its outstanding shares of stock, and to finance the cost of properties. Applicant reports that on December 31, 1952, it was indebted to its parent company in the amount of \$6,652,560 and it estimated that this amount will be increased to at least \$7,500,000 by the time it issues the stock covered by this application, in the event it is authorized to do so. If the proceeds from the sale of the shares of stock will amount to more than the indebtedness to Pacific Lighting Corporation, the excess will be used to reimburse the treasury or to finance a portion of applicant's 1953 construction expenditures.

Information before the Commission shows that for some years applicant has been faced with a continuing program of expansion of

its facilities and extension of its lines to meet demands of customers in its service area. Its financial reports on file with the Commission show that its recorded investment in gas properties increased in the amount of \$8,553,975.04 in 1950, in the amount of \$10,554,976.57 in 1951, and in the amount of \$8,946,541.95 during 1952, and the present application now pending before the Commission indicates that expenditures of approximately \$15,640,385.00 will be required in 1953 to meet the cost of additions and betterments as follows:

1. Gas storage facilities	\$	4,000	
2. Gas transmission facilities, exclusive of facilities to increase Texas pipe line capacity		370,675	
3. Gas distribution facilities		11,040,050	
4. Buildings and improvements to grounds		705,235	
5. Motor transport equipment		288,000	
6. Furniture, tools, shop, laboratory and communication equipment		232,325	
7. Land and land rights		<u>125,000</u>	
Sub-total			\$12,765,285
8. Completion of gas transmission facilities to increase Texas pipe line capacity			2,448,100
9. Contingencies			<u>427,000</u>
Total			<u>\$15,640,385</u>

It has been applicant's practice to finance itself temporarily with moneys borrowed from Pacific Lighting Corporation and periodically to refinance such borrowings through the sale of first mortgage bonds or shares of common stock. Applicant's capital ratios as of December 31, 1952, and as adjusted to give effect to the proposed issue are as follows:

	<u>December 31, 1952</u>	<u>As Adjusted</u>
Bonds	51.6%	46.5%
Common stock	36.6	42.9
Surplus	<u>11.8</u>	<u>10.6</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

To pay the intercompany indebtedness of \$6,652,560 and to provide for the estimated 1953 additions and betterments will call

for an outlay of \$22,292,945 during the year. Applicant estimates its sources of funds for these purposes as follows:

Sale of first mortgage bonds	\$12,000,000
Sale of common stock	7,500,000
Depreciation reserve	1,800,000
Earned surplus and 1953 short-term borrowing	<u>993,000</u>
Total	<u>\$22,293,000</u>

We are cognizant of the extent to which applicant has been required to increase its investment in its properties and are aware of the fact that it has been called upon, and will be called upon, to raise substantial funds from external sources. The present application indicates that a portion of funds now required by applicant is available through the issue of shares of common stock and, in our opinion, applicant should take advantage of its ability to sell such shares and thus improve the bond position in its capital structure. However, in making this order we wish to place applicant upon notice that we will not regard the price to be paid for the shares of common stock as measuring the value of such shares nor the dividends paid by applicant as determining or fixing the rate of return which applicant should be allowed to earn or as representing the cost of money obtained from equity capital.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the common 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, on and after the effective date hereof and on or before May 31, 1953, may issue and sell, at not less than \$100 a share, 75,000 shares of its common stock, for the purpose set forth in this proceeding, such shares to be offered to applicant's existing stockholder pursuant to the preemptive right possessed by such stockholder under applicant's articles of incorporation.

2. Southern Counties Gas Company of California shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 16th day of February, 1953.

A. J. ...
President

Justin F. ...
Harold P. ...

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...
Commissioners