

ORIGINAL

Decision No. 48768

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 600,000)
 shares of its Common Stock at the)
 par value of \$25 a share, aggregat-)
 ing \$15,000,000, under the provi-)
 sions of Section 818 of the Public)
 Utilities Code of the State of)
 California.)
 -----)

Application
No. 34454

O P I N I O N

In this proceeding Southern California Gas Company seeks authorization to issue and sell, at par, 600,000 shares of its common stock of the par value of \$25 each and of the aggregate par value of \$15,000,000.

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 estimates that it will be indebted to its parent company in the amount of \$7,000,000 by August 1, 1953, and it proposes to use proceeds from the sale of the shares of stock, to the extent necessary, to satisfy this indebtedness and to use the balance of the proceeds to reimburse its treasury or to finance a portion of its 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 \$22,689,295.86 in 1950, in the amount of \$23,356,603.71 in 1951, and in the amount of \$21,454,814.53 in 1952. The present application now pending before the Commission indicates that expenditures of approximately \$31,104,400 will be required in 1953 to meet the cost of additions and betterments, as follows:

1. Gas storage facilities	\$ 2,061,700
2. Gas transmission facilities exclusive of additions to Texas loop line	3,345,000
3. Addition to Texas loop transmission line	3,979,600
4. Gas distribution facilities	18,433,400
5. Additions to general plant	1,925,100
6. Other construction costs including interest during construction	<u>3,359,600</u>
Total	<u>\$33,104,400</u>

It appears that in addition to the \$15,000,000 to be obtained from the issue of shares of common stock, applicant will have almost \$11,000,000 available from cash on hand and depreciation accruals to meet its 1953 costs, and that it will resort to senior financing or temporary borrowings to complete its program for the present year.

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 and preferred capital stock. Applicant's capital ratios as of April 30, 1953, and as adjusted to give effect to the proposed issue, are as follows:

	<u>April 30, 1953</u>	<u>As Adjusted</u>
Common stock	29.3%	33.9%
Common stock premium	1.1	1.0
Earned surplus	<u>10.3</u>	<u>9.2</u>
Subtotal	40.7%	44.1%
Bonds	49.3	46.4
Preferred stock	<u>10.0</u>	<u>9.5</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

We are cognizant of the extent to which applicant has been required to increase its investment in 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 purposes specified herein; and that 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, on and after the effective date hereof and on or before September 30, 1953, may issue and sell, at not less than \$25 a share, 600,000 shares of its common stock for the purposes set forth in this proceeding, such shares to

be offered to applicant's existing stockholder pursuant to the pre-emptive rights possessed by such stockholder under applicant's articles of incorporation.

2. Southern California Gas Company 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 20 days after the date hereof.

Dated at San Francisco, California, this 30th day of June, 1953.

R. F. [Signature]
President

[Signature]

[Signature]
[Signature]

Commissioners

Commissioner Justus F. Graemer, being necessarily absent, did not participate in the disposition of this proceeding.