

ORIGINAL

Decision No. 51487

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.

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O P I N I O N

This is an application for an order authorizing Southern California Gas Company to issue and sell 600,000 shares of its common stock of the par value of \$25 each and of the aggregate par value of \$15,000,000.

Applicant is a California corporation organized on or about October 5, 1910. Its authorized capital stock consists of 7,000,000 shares of the par value of \$25 each, divided into shares of preferred and common stock. The authorized shares and the par value thereof, together with the total par value outstanding on February 28, 1955, are shown in the following tabulation:

	<u>Authorized</u>		<u>Amount Outstanding</u>
	<u>Shares</u>	<u>Amount</u>	
Preferred -			
6% cumulative	160,000	\$ 4,000,000	\$ 2,711,550
Ser. A, 6% cumulative	<u>840,000</u>	<u>21,000,000</u>	<u>19,575,800</u>
Total preferred	1,000,000	25,000,000	22,287,350
Common	<u>6,000,000</u>	<u>150,000,000</u>	<u>95,000,000</u>
Totals	<u>7,000,000</u>	<u>\$175,000,000</u>	<u>\$117,287,350</u>

The outstanding shares of common stock are held by Pacific Lighting Corporation. It has been applicant's practice to pay monthly dividends on its common shares, which dividends during the

last five years have amounted to \$2.50 in 1950, \$2.40 in 1951, \$2.45 in 1952, \$3.00 in 1953, and \$2.47½ in 1954.

At this time applicant proposes to offer the 600,000 shares covered by this application, at par, to the holder of the presently outstanding shares of stock pursuant to the preemptive right to subscribe for additional shares of common stock which is granted such holder by applicant's articles of incorporation, and to apply the proceeds from the sale to liquidate its indebtedness to Pacific Lighting Corporation and to pay in part the cost of the acquisition of property or the construction, completion, extension or improvement of its facilities. It sets forth its cash requirements during 1955 and its sources of funds as follows:

Cash requirements -	
Plant budget - 1955	\$33,000,000
Due Pacific Lighting Corporation at January 1, 1955	11,725,000
Sinking fund requirements	<u>1,105,000</u>
Total required	<u>\$45,830,000</u>
Sources of cash -	
Depreciation	\$ 7,500,000
Deposits and construction advances, net	300,000
Proposed current sale of 600,000 shares of common stock at \$25 a share	15,000,000
Remainder, to be provided partly by surplus funds and principally from prospective sale of senior securities during the fall of 1955	<u>23,030,000</u>
Total	<u>\$45,830,000</u>

The expenditures included in the 1955 budget are set forth in some detail in Exhibit B filed in this proceeding.

It appears that it has been applicant's practice to finance itself temporarily with moneys advanced by Pacific Lighting Corporation and from time to time to refinance such advances with permanent securities. Its capital ratios as of March 31, 1955, and

as adjusted to give effect to the proposed stock offering, are as follows:

	<u>Mar. 31, 1955</u>	<u>Pro Forma</u>
Bonds	41.3%	39.1%
Preferred stock	8.6	8.1
Common stock equity	<u>50.1</u>	<u>52.8</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

It is clear that applicant will have to engage in external financing in addition to the proposed common stock sale as it proceeds with its construction plans and it appears that it will undertake to obtain funds from senior securities later in the year. The issue of equity shares at this time will broaden the base upon which such senior securities will rest and should contribute to the completion of such subsequent financing under favorable terms. It therefore appears to us that an order granting applicant's request is warranted.

In making the order in this proceeding we wish to place applicant on notice that we will not regard the price at which it sells its shares of stock or the dividends which it pays as representing the value of such shares or as measuring or determining the cost of equity capital or the rate of return which applicant should be allowed to earn on its investment in its plants and properties.

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 and

sale of the shares of 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 may issue and sell, at par, on or before October 31, 1955, not to exceed 600,000 shares of its common stock, and use the proceeds for the purposes set forth in this application.

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 24th day of May, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners