

Decision No. 53018

**ORIGINAL**

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 authorizing )  
it to issue and sell \$40,000,000 )  
First Mortgage Bonds, Series B, due )  
1981, to mortgage its properties, and )  
to execute and deliver to American )  
Trust Company, as Trustee, a Supple- )  
mental Indenture dated as of )  
June 1, 1956. )  
----- )

Application  
No. 37931  
(and Amendment)

O P I N I O N

Southern California Gas Company has filed this application for authorization to execute a supplemental indenture and to issue and sell \$40,000,000 of bonds.

The bonds will be secured by applicant's indenture of October 1, 1940, as supplemented from time to time. They will constitute a new series which will be designated as First Mortgage Bonds, Series B, due 1981, will be dated June 1, 1956, and will be subject to redemption at any time at a price, during the first year, equivalent to the initial public offering price plus 4% of the principal together with accrued interest, and thereafter at premiums decreasing annually. Applicant proposes to dispose of the \$40,000,000 issue at competitive bidding with the successful bid to determine the interest rate as well as the price.

The purpose of the proposed financing is to provide applicant with funds to liquidate indebtedness and to finance construction costs. To the extent required, proceeds first will be applied to the payment of short-term indebtedness owed to Pacific Lighting Corporation for

advances used for construction or acquisition of property, which indebtedness is estimated at approximately \$8,500,000 on June 1, 1956, and the remaining proceeds will be used to reimburse applicant's treasury for monies expended from income and to meet the costs incurred for the acquisition of property and the construction, completion, extension, or improvement of facilities during the year 1956. In this connection applicant reports its estimated gross expenditures for the year in the amount of \$53,725,000, as shown in some detail in Exhibit D filed in this proceeding. It estimates the expenses to be incurred in connection with the sale of the new bonds at \$136,280.

Applicant reports its 1956 cash requirements and its sources of funds to meet such requirements as follows:

Cash Requirements

Gross construction expenditures	\$53,723,000
Short-term debt due Pacific Lighting Corporation at January 1, 1956, incurred to finance capital expenditures prior to 1956	<u>16,727,729</u>
Total	<u>\$70,450,729</u>

Sources of Funds

Estimated gross proceeds of bond issue	\$40,000,000
Depreciation reserve funds	8,314,000
Other sources, including common stock issued March 1, 1956, and short-term loans from Pacific Lighting Corporation	<u>22,136,729</u>
Total	<u>\$70,450,729</u>

In March of this year applicant issued and sold \$12,600,000 par value of common stock to liquidate indebtedness outstanding at that time. Applicant's capital ratios, as they are at present and as they will be with the issue of the proposed bonds, are as follows:

	<u>At Present</u>	<u>Pro Forma</u>
Bonds	36.2%	43.8%
Preferred stock	7.7	6.8
Common stock equity	<u>56.1</u>	<u>49.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

From a review of this application it is clear that applicant will not have sufficient funds from internal sources to meet its capital requirements and that sales of additional securities are required to enable applicant to discharge its current obligations and to take care of its capital requirements. Accordingly, we will enter an order at this time authorizing the issue of the \$40,000,000 of bonds in accordance with applicant's request.

The approval herein indicated is for the issue and sale of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

#### 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 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 California Gas Company may invite the submission of sealed, written bids for the purchase of \$40,000,000 in aggregate principal amount of First Mortgage Bonds, Series B, due 1981, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. Southern California Gas Company may issue and sell \$40,000,000 of bonds at competitive bidding on or before June 30, 1956, at the price and bearing interest at the rate specified in the bid therefor which will result in the lowest annual cost of money to applicant.

3. Southern California Gas Company may execute a supplemental indenture dated June 1, 1956, in, or substantially in, the same form as the indenture filed in this proceeding as Exhibit C.

4. Southern California Gas Company shall use the proceeds from the sale of its bonds for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$40,000,000 of bonds, Southern California Gas Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based on such price and interest rate.

6. Within 30 days after the issue and sale of the bonds herein authorized Southern California Gas Company shall file a report with the Commission showing the date on which such bonds were sold and the consideration received, together with three copies of its prospectus.

7. The authority herein granted will become effective when Southern California Gas Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$13,000.

Dated at San Francisco, California, this 8<sup>th</sup> day of May, 1956.

*John E. Ketchum*  
President

*Justus D. Adams*

*Paul G. Lister*

*William J. Dooly*

*R. G. Hardy*  
Commissioners

