

ORIGINAL

Decision No. 54470

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 \$15,000,000 First Mortgage Bonds, Series B, due 1982, to mortgage its properties and to execute and deliver to American Trust Company, as Trustee, a Supplemental Indenture dated as March 1, 1957.

Application No. 38749

O P I N I O N

In this application, Southern Counties Gas Company of California seeks authorization to execute a supplemental trust indenture and to issue and sell \$15,000,000 of its First Mortgage Bonds, Series B, due 1982.

Applicant intends to offer its bonds for sale at competitive bidding, the price and the interest rate to be specified in the bid to be accepted by it. It contemplates that the invitation for bids will be published on or about February 27, 1957, and that bids received in response to such invitation will be opened on or about March 6, 1957. In order to enable it to carry out its program, it requests the Commission to specify in its order that the time of publication of the invitation for bids shall be not more than five days prior to the date set for opening of the bids.

The purpose of the proposed financing is to provide applicant with funds to pay short-term indebtedness to Pacific

Lighting Corporation, the holder of all applicant's outstanding shares of stock, to pay costs incurred or to be incurred for the acquisition of property and the construction, completion, extension or improvement of its facilities during 1957 and to reimburse the treasury for monies actually expended from income. Applicant reports that its indebtedness to Pacific Lighting Corporation will be approximately \$9,200,000, as of March 1, 1957, and that its estimated expenditures for fixed capital for the year 1957 aggregate \$24,406,000 consisting of the following:

Mains, meters, and services to supply new customers	\$11,452,700
Distribution and transmission system betterments and replacements	11,891,500
Construction and alterations of buildings	461,600
Miscellaneous, including motor transport equipment, land, furniture, etc.	<u>600,200</u>
Total	<u>\$24,406,000</u>

In addition to the required expenditures for fixed capital, applicant will be faced with sinking fund payments of \$1,046,000 and with expenditures of \$75,695 incident to the issuance and sale of the new bonds. Applicant reports that approximately \$2,745,000 of its 1957 cash requirements will be available from internal sources, that approximately \$15,000,000 will be realized through the proposed bond issue and that the remainder will be financed temporarily with short-term advances from Pacific Lighting Corporation and from other sources.

It has been applicant's practice, generally, to finance construction costs with monies advanced by Pacific Lighting Corporation and from time to time to refinance itself through the issue of permanent securities consisting of first mortgage

bonds and shares of common stock. Its capital ratios, as of November 30, 1956, and as adjusted to give effect to the proposed financing, excluding the advances from Pacific Lighting Corporation, are as follows:

	<u>November 30, 1956</u>	<u>Pro Forma</u>
First mortgage bonds	40.5%	47.2%
Common stock equity	<u>59.5</u>	<u>52.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The company's balance sheet, as of November 30, 1956, shows current and accrued assets in the amount of \$8,982,134 and current and accrued liabilities in the amount of \$16,168,967 including the advances from Pacific Lighting Corporation.

A review of the application indicates that the company will have need for funds from the sale of permanent securities to liquidate its indebtedness, to improve its cash position and to enable it to proceed with its construction activities. Accordingly, we will enter an order approving this application. Such approval, however, 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 and sale 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 may invite the submission of written sealed bids for the purchase of \$15,000,000 in aggregate principal amount of its First Mortgage Bonds, Series B, due 1982, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. Southern Counties Gas Company of California may issue and sell said \$15,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

3. Southern Counties Gas Company of California may execute a supplemental trust indenture in, or substantially in, the same form as that filed as Exhibit B in this proceeding.

4. Southern Counties Gas Company of California shall use the proceeds to be received from the issue and sale of said bonds for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$15,000,000 of bonds, Southern Counties Gas Company of California 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 Counties Gas Company of California shall file a report with the Commission showing the date on which such bonds were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus.

7. The authority herein granted will become effective when Southern Counties Gas Company of California has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$6,750.

Dated at San Francisco, California, this 5th day of February, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

