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ORIGINAL

Decision No. _____

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 \$35,000,000)
 First Mortgage Bonds, Series C,) Application No. 39088
 due 1983, to mortgage its properties,) (and Amendment)
 and to execute and deliver to)
 American Trust Company, as Trustee,)
 a Supplemental Indenture dated as)
 of July 1, 1957.)
 -----)

O P I N I O N

Southern California Gas Company has filed this application, as amended, for authorization to execute a supplemental indenture and to issue and sell \$35,000,000 of bonds.

The bonds will be secured by applicant's indenture of October 1, 1940, as supplemented and amended from time to time. They will consist of a new series which will be designated as First Mortgage Bonds, Series C, due 1983, will be dated July 1, 1957, and will be subject to redemption at any time at a price, during the first year, equivalent to the initial public offering price plus five per cent of the principal together with accrued interest, and thereafter at premiums decreasing annually, except that no Series C bonds may be redeemed prior to July 1, 1962, other than through the operation of the sinking fund, if the funds to be used for that purpose have been obtained from the issue and sale by applicant of securities having an interest rate which is less than that originally determined for the Series C bonds. Applicant proposes to dispose of the \$35,000,000 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 reimburse its treasury, 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 or to be used for the construction or acquisition of property, which indebtedness is estimated at approximately \$21,500,000, as of July 1, 1957, and the remaining proceeds will be used to reimburse applicant's treasury for moneys expended from income and to meet the costs incurred or to be incurred by applicant for acquisition of property and the construction, completion, extension or improvement of its facilities in carrying out its program of capital additions and betterments for the year 1957. In this connection applicant reports its estimated gross construction expenditures for the year 1957 in the amount of \$44,029,000, as shown in some detail in Exhibit C filed in this proceeding. It estimates the expenses to be incurred in connection with the sale of the new bonds at \$120,355.

Applicant reports its 1957 cash requirements and its sources of funds to meet such requirements as follows:

Cash Requirements

Gross construction requirements	\$44,029,000
Remainder of cash sinking fund requirement due April 1, 1957	1,529,000
Portion of cash sinking fund requirement for 1958, anticipated in April, 1957	<u>1,366,000</u>
Total	<u>\$46,924,000</u>

Sources of Funds

Estimated minimum gross proceeds of bond issue	\$35,000,000
Depreciation reserve funds (estimated)	8,382,000
Receivable balance due from Pacific Lighting Corporation at 12/31/56	2,187,568
Other sources, including earnings and short-term loans from Pacific Lighting Corporation (estimated)	<u>854,432</u>
Total	<u>\$46,924,000</u>

Applicant's capital ratios, as they are at present and as they will be with the issue of the proposed bonds in July, 1957, are as follows:

	<u>At Present</u>	<u>Pro Forma</u>
Bonds	42.2%	48.5%
Preferred stock	6.8	6.2
Common stock equity	<u>50.0</u>	<u>45.3</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 it to discharge its current obligations and to take care of its capital requirements. Accordingly, we are entering an order at this time authorizing the issue of \$35,000,000 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 are not, except as otherwise authorized, 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 \$35,000,000 in aggregate principal amount of its First Mortgage Bonds, Series C, due 1983, 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 \$35,000,000 of bonds at competitive bidding on or before July 31, 1957, at the price and bearing interest at the rate specified therefor, which will result in the lowest annual cost of money to applicant.

3. Southern California Gas Company may execute a supplemental indenture dated July 1, 1957, in, or substantially in, the same form as the indenture filed in this proceeding as Exhibit B.

4. Southern California Gas Company shall use the proceeds received 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 \$35,000,000 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 said 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 California Gas Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$11,750.

Dated at San Francisco, California, this 11th day of June, 1957.

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

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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