

ORIGINAL

Decision No. 55651

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 100,000 shares of its Common Stock at the par value of \$100 a share, aggregating \$10,000,000, under the provisions of Section 818 of the Public Utilities Code of the State of California

Application No. 39398

O P I N I O N

Southern Counties Gas Company of California, a corporation, has filed this application for authorization to issue and sell, at par, 100,000 shares of its common stock, of the par value of \$100 each and of the aggregate par value of \$10,000,000, for the purpose of paying outstanding indebtedness and of financing the cost of additions and improvements.

Applicant is a California corporation, organized in 1911, which is engaged in purchasing, transporting, distributing and selling natural gas in the Counties of Los Angeles, San Bernardino, Riverside, Ventura, Orange, Santa Barbara and San Luis Obispo. It presently has outstanding 600,000 shares of common stock (\$60,000,000 par value), all of which are held by Pacific Lighting Corporation, and it proposes to sell the additional shares of stock, which are covered by this application, to Pacific Lighting Corporation pursuant to the preemptive rights accorded the shareholder by the applicant's articles of incorporation.

The purpose of the new financing is to enable applicant to liquidate advances by Pacific Lighting Corporation which had been utilized by applicant for the acquisition of property or for the construction, completion, extension or improvement of its facilities and to provide, in part, the cost of additional improvements during 1957. Applicant reports that its borrowings from its parent company amounted to \$3,686,242 on July 31, 1957, and would increase to approximately \$8,900,000 by October 31, 1957. Upon receiving authorization to issue and sell its shares, it intends to discharge its indebtedness and to apply the excess of the proceeds, if any, to meet, in part, construction costs during the remainder of the year. According to Exhibit C, its total cash requirements for 1957 will aggregate \$32,374,000 and will be provided from the following estimated sources:

Cash requirements -	
Plant budget	\$24,406,000
Sinking fund payment	1,232,000
Federal income and ad valorem tax payments in excess of accruals	966,000
Common stock dividend - \$8.40 per share per annum	5,250,000
Short-term financing arrangements with Pacific Lighting Corporation	<u>520,000</u>
Total funds required	<u>\$32,374,000</u>
Sources of funds -	
Estimated net income available for common stock - Year 1957	\$ 4,104,000
Depreciation cash - annuity	2,315,000
- interest	955,000
Proceeds from sale of common stock	10,000,000
Proceeds from sale of first mortgage bonds	<u>15,000,000</u>
Total funds supplied	<u>\$32,374,000</u>

It has been applicant's practice to finance itself temporarily with moneys advanced by Pacific Lighting Corporation and with retained earnings and other amounts in its treasury, and from time to time to refinance itself with permanent securities. Its capital ratios, as of July 31, 1957, and as adjusted to give effect to the proposed stock issue, exclusive of the borrowings from the holding company, are as follows:

	<u>July 31,</u> <u>1957</u>	<u>Pro</u> <u>Forma</u>
Bonds	46.40%	43.15%
Common stock	45.13	48.97
Surplus	<u>8.47</u>	<u>7.88</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant reports that it desires to issue common stock, rather than bonds, so as to improve its capital structure and increase the bond interest coverage in order to facilitate future debt financing.

Upon reviewing the verified application, we are of the opinion that an order should be entered as requested. The approval herein given is for the issue of securities only and is not 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 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 Counties Gas Company of California may issue not exceeding 100,000 shares of common stock of the par value of \$100 each and offer and sell such shares, at par, to Pacific Lighting Corporation for the purposes set forth in this application.
2. Applicant shall file with the Commission a monthly report, or 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 24 day of October, 1957.

Arthur E. Mendenhall President
Raymond L. Litterer
Walter D. ...
R. H. ...
C. Lynn Fox Commissioners