

ORIGINAL

Decision No. 56220

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 C, due 1983, to mortgage its properties, and to execute and deliver to American Trust Company, as Trustee, a Supplemental Indenture dated as of May 1, 1958.

Application No. 39911

O P I N I O N

Southern Counties Gas Company of California has filed this application for authorization to execute a supplemental trust indenture and to issue and sell \$15,000,000 in principal amount of First Mortgage Bonds, Series C, due 1983.

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 April 16, 1958, and that bids which are received in response to such invitation will be opened on or about April 23, 1958. In order to enable it to carry out this program, applicant requests that the Commission specify in its order that the time for publication of the invitation for bids shall not be more than five days prior to the date set for opening of the bids.

The proposed bonds will constitute a new series. They will be dated May 1, 1958, and will mature May 1, 1983. They will be subject to redemption at an initial regular redemption price prior to May 1, 1959, at the public offering price of the bonds plus 5% of the principal. Thereafter, the regular redemption prices for the subsequent twelve months' periods beginning May 1 in each year shall be reduced progressively on each such May 1 by an amount equal to 1/24th of the amount by which the initial regular redemption price exceeds 100% of principal. However, none of the bonds may be redeemed prior to May 1, 1963, other than for sinking fund purposes, directly or indirectly from the proceeds of, or in anticipation of, any refunding operation involving the incurring of debt which has an interest cost to the company of less than the interest cost of the bonds covered by this application.

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 and extension of its facilities during 1958 and to reimburse the treasury for moneys actually expended from income. Applicant reports that its indebtedness to Pacific Lighting Corporation will be approximately \$4,800,000 as of May 1, 1958, and that its estimated expenditures for the year 1958 will aggregate \$22,850,000 consisting of the following:

Mains, meters, and services to supply new customers	\$ 8,360,000
Distribution and transmission system reinforcements and replacements	8,128,000
Facilities to be owned jointly with Southern California Gas Company for importation of out-of-state gas	2,783,000*
Construction and alterations of buildings	2,765,000
Miscellaneous, including motor transport equipment, land, furniture, etc.	<u>814,000</u>
Total	<u>\$22,850,000</u>

* Company's 30% share of transmission facilities to be jointly owned with Southern California Gas Company.

In addition to the required expenditures for fixed capital and payment of short-term indebtedness, applicant reports that its required sinking fund payments during the year will amount to \$1,045,000 and that its estimated expenditures incident to the issue and sale of the new bonds will amount to \$67,295. The application indicates that the 1958 capital requirements will be provided from internal sources, current assets, and proceeds from the sale of the bonds applicant now proposes to offer.

It has been applicant's practice, generally, to finance construction costs with moneys 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 January 1, 1958, and as adjusted to give effect to the proposed financing, excluding the advances from Pacific Lighting Corporation, are as follows:

	<u>January 1, 1958</u>	<u>Pro Forma</u>
First mortgage bonds	43.2%	48.6%
Common stock equity	<u>56.8</u>	<u>51.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The company's balance sheet as of January 1, 1958, shows current and accrued assets in the amount of \$11,012,968 and current and accrued liabilities in the amount of \$15,002,468 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 obligations, to improve its cash position and to enable it to proceed with its construction program. Accordingly, we will enter an order approving this application.

The authorization herein granted 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, on and after the effective date hereof and on or before July 31, 1958, may issue and sell \$15,000,000 in principal amount of its First Mortgage

Bonds, Series C, due 1983, at the price offered in bids received pursuant to the invitation hereinafter referred to which will result in the lowest annual cost of money to applicant determined in the manner referred to in the application.

2. The invitation for the submission of written sealed bids for the purchase of said bonds shall be given by publication not less than five days prior to the day set for the opening of the bids.

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 the bonds herein authorized 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 12th day of APRIL, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

