

ORIGINAL

58580

Decision No. _____

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. 41158

O P I N I O N

Southern Counties Gas Company of California has filed this application for authorization to issue 100,000 shares of its common stock, of the aggregate par value of \$10,000,000, and to sell said shares, at par, to Pacific Lighting Corporation, the holder of all its presently outstanding stock, pursuant to the pre-emptive rights granted by applicant's articles of incorporation.

Applicant proposes to use the proceeds to be obtained from the sale of its shares to liquidate amounts owed to Pacific Lighting Corporation, which it estimates will amount to \$7,712,000 by the end of June, and to finance the costs of acquiring property and of constructing, completing, extending and improving its facilities to meet the demands of customers in its service area and the continuing population growth in that area.

It appears that applicant, for some years, has been engaged in a substantial and continuing program of expansion and that it has been its practice to finance itself temporarily with moneys furnished by Pacific Lighting Corporation and, from time to time, to refinance itself through the issue of bonds and common stock. In the present proceeding, applicant reports its 1959 plant budget and its estimated cash requirements and sources of funds as follows:

SUMMARY OF 1959 PLANT BUDGET
MONEY EXPENDITURES

Mains, meters, and services to supply new customers	\$ 8,546,000
Distribution and transmission system betterments and replacements	7,590,000
Additional facilities for importation of out-of-state gas -	
Rock Springs Line	5,508,000
Burbank - Western Terminal	279,000
Needles Compressor Station	233,000
Newberry Compressor Station	160,000
Construction and alteration of structures	2,375,000
Miscellaneous, including motor transport equipment, land, furniture, tools, etc.	<u>709,000</u>
Total budgeted money expenditures	<u>\$25,400,000</u>

ESTIMATED CASH REQUIREMENTS
AND SOURCES OF FUNDS - YEAR 1959

Cash requirements -	
Plant budget as above	\$25,400,000
Sinking fund payments	<u>2,131,000</u>
Total funds required	<u>\$27,531,000</u>
Source of Funds -	
Depreciation cash	\$ 4,594,000
Net from operations	893,000
Proceeds from sale of common stock	10,000,000
Short-term loans from parent company	<u>12,044,000</u>
Total funds supplied	<u>\$27,531,000</u>

The tabulation shows that the proposed issue of common stock will not suffice to meet all the 1959 capital requirements and that applicant will be compelled to borrow additional funds from its parent and to engage in additional permanent financing at a later date. Applicant desires to sell shares of common stock at this time, rather than bonds, in order to improve its capital structure and to place itself in a more favorable position for future debt financing. It reports its capital ratios as of April 30, 1959, and as adjusted to give effect to the proposed financing, as follows:

	<u>April 30, 1959</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Bonds	\$ 73,724,000	47.37%	\$ 73,724,000	44.51%
Stock	70,000,000	44.98	80,000,000	48.30
Surplus	<u>11,899,755</u>	<u>7.65</u>	<u>11,899,755</u>	<u>7.19</u>
Total	<u>\$155,623,755</u>	<u>100.00%</u>	<u>\$165,623,755</u>	<u>100.00%</u>

Upon reviewing this proceeding, it appears to us that applicant will have need for additional funds to liquidate its temporary borrowings and that the issue of shares of stock at this time should be authorized. In making our order in this proceeding, however, we again place applicant on notice that we will not regard the dividends paid, or to be paid, on common stock as determining or fixing the rate of return which applicant should be allowed to earn on its investment in its utility plant, or as representing the cost of money obtained through the issuance of common stock. The authorization granted is for the issue 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 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 100,000 shares of its common stock and offer and sell said shares to Pacific Lighting Corporation, at par, on or before December 31, 1959, said shares to be sold pursuant to the pre-emptive rights contained in applicant's articles of incorporation.
2. Applicant shall use the proceeds to be received from the issue and sale of said stock to pay indebtedness to Pacific Lighting Corporation and to meet, in part, its 1959 capital requirements.
3. Southern Counties Gas Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable is made a part of this order.

4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California,
this 16th day of June, 1959.

E. L. Fox
President
[Signature]
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Commissioners