

ORIGINAL

Decision No. 59943

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PACIFIC LIGHTING GAS SUPPLY COMPANY,
a corporation, for a preliminary
order authorizing it to issue and
sell \$25,000,000 of Debentures
without competitive bidding under
the provisions of Section 816,
et seq., of the Public Utilities
Code of the State of California

Application No. 41975

Oscar C. Sattinger and Francis N. Marshall,
for Pacific Lighting Gas Supply Company;
Kelso, Schnacke, Lerer, Cotton & Holmes,
by Robert H. Schnacke and Stanton Ware,
for Halsey, Stuart & Co., Inc., protestant;
William M. Bennett, John Donovan and
William L. Cole, for the Commission's staff.

O P I N I O N

Pacific Lighting Gas Supply Company has filed this application for exemption from the Commission's competitive bidding rule with respect to a proposed issue of \$25,000,000 of debentures and for a preliminary order authorizing the issue and sale of such debentures.

The application was filed on February 24, 1960. Public hearings were held before Examiner Coleman in San Francisco on March 17 and March 18, 1960. Briefs have been filed and the matter now is ready for decision.

Pacific Lighting Gas Supply Company is a wholly-owned subsidiary of Pacific Lighting Corporation. It now is and, since January 1, 1953, has been engaged as a public utility in the purchase, storage and transmission of natural gas and in the sale and delivery of such gas to Southern California Gas Company and Southern Counties Gas Company of California, which companies also are subsidiaries of Pacific Lighting Corporation. According to its president, who is also president of Pacific Lighting Corporation, it has obtained new sources of supply, it has long-term contracts, it is making large additions to its plant and it has experienced improved earnings. Its rates for service, as well as those of the two affiliated companies, are regulated by this Commission.

In presenting this matter to the Commission, applicant, at the outset, made it clear that it is not taking exception to the Commission's competitive bidding rule, that it is not seeking to set aside such rule and that it would not consider an order exempting the presently proposed issue as a precedent for future issues. It has concluded, however, that this particular issue at this particular time could be sold under more favorable conditions under negotiated arrangements than under competitive bidding.

Applicant seemingly takes the position that its operations are of a specialized nature, being those of a gas transmission pipeline company and a wholesale company as distinguished from a distributing company; that it should be considered as standing alone as a separate pipeline company and not a part of

the Pacific Lighting system; that it is engaged in building its new pipeline from Needles to Newberry and that there are no earnings as yet from the project; that, in general, it is the practice of pipeline companies, at least so far as their initial public financing is concerned, to dispose of their securities under negotiated arrangements; that in this particular case it heretofore has not engaged in public financing, has no seasoned securities outstanding and in the past has had unsatisfactory earnings and hence has no published credit rating and is practically unknown to investment bankers; and that because of all these conditions, and others, there would be little interest in an invitation for competitive bids should such bids be required, there would be a possibility that its debentures would receive a substandard credit rating and there would result an excessive interest rate and possibly unacceptable terms.

In considering an application for an exemption from the provisions of the competitive bidding rule, the Commission must be convinced from the evidence that adherence to the rule would be other than in the public interest. The record in this proceeding is not persuasive that exemption should be granted. The gas supply operations constitute an integral part of the over-all operations of Pacific Lighting Corporation. In our opinion, the suggestion that applicant should be disassociated from its parent is not reasonable and the contention that applicant is unknown to the investment world and would attract but little interest in a competitive bidding offer has no merit. In fact, the record shows that two investment banking firms stand ready to submit bids should competitive bidding be required.

Although applicant is engaged solely in delivering gas to the two affiliated public utility distributing companies for resale, we find that public interest requires that the provisions of Article 5, Chapter 4 of Part 1 of Division 1 of the Public Utilities Code should apply to applicant. Upon reviewing the evidence that has been presented to us, we have concluded, and so find, that the record in this proceeding does not warrant an order granting exemption from competitive bidding and authorizing the issue and sale of the debentures under negotiated arrangements.

The application will be denied.

O R D E R

Public hearings having been held and the Commission being fully informed in the premises,

IT IS HEREBY ORDERED that Application No. 41975 of Pacific Lighting Gas Supply Company be, and it hereby is, denied.

Dated at San Francisco, California,
this 19th day of April, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]
Theodore Jenner
Commissioners