

**ORIGINAL**

Decision No. 60350

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 \$23,000,000 First Mortgage Bonds, Series D, due 1985, to mortgage its properties, and to execute and deliver to Wells Fargo Bank American Trust Company, as Trustee, a Supplemental Indenture dated as of August 1, 1960.

Application No. 42370

O P I N I O N

The above-entitled application was filed on June 16, 1960, for an order of the Commission authorizing Southern Counties Gas Company of California to issue and sell \$23,000,000 principal amount of first mortgage bonds and to issue and deliver a supplemental trust indenture.

The proposed bonds will constitute a new series which will be designated Series D, due 1985. They will be dated August 1, 1960, will mature August 1, 1985, and will be subject to redemption as set forth in the proposed supplemental indenture, provided, however, that none of said bonds may be redeemed prior to August 1, 1965, (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 annual interest cost to the company, expressed as a percentage and computed in accordance with generally accepted financial practice, of less than the interest

cost to the company of said bonds. Applicant proposes to offer the \$23,000,000 issue for sale at competitive bidding at a price of not less than the principal amount thereof, plus accrued interest, the successful bid to determine the interest rate.

The purpose of the proposed financing is to provide applicant with funds to pay and discharge short-term indebtedness to Pacific Lighting Corporation; to pay costs incurred or to be incurred for the acquisition of property; and to reimburse its treasury. Applicant asserts that its short-term indebtedness to Pacific Lighting Corporation will amount to approximately \$14,400,000 on August 1, 1960, and it reports that its construction budget for the year aggregates \$23,560,000.

The application indicates that it is the company's intention to finance its 1960 capital requirements with proceeds from the proposed bond issue, with internally generated funds and with additional borrowings from its parent corporation. The company reports its capital ratios, as of April 30, 1960, and as adjusted to give effect to the proposed bond issue, as follows:

	<u>April 30, 1960</u>	<u>Pro Forma</u>
First mortgage bonds	43.5%	50.4%
Common stock and surplus	<u>56.5</u>	<u>49.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

We have considered this application and based upon the information before us, we find and conclude (1) that applicant will have need for additional funds to meet its obligations and to proceed with its construction activities; (2) that the proposed

issue of bonds is for a proper purpose; (3) that applicant will be required to pay a lower interest rate on the bonds it now proposes to issue than it would if the five-year restricted redemption feature were to be deleted and that the ensuing lower financial requirements should inure to the benefit of the consumers; and (4) that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required 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. On the basis of the foregoing findings, we will enter our order granting the application.

The authorization herein given is for the sale of bonds 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, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern Counties Gas Company of California, on or after the effective date hereof and on or before December 31, 1960, may execute a supplemental indenture dated as of August 1, 1960, in, or substantially in, the same form as that filed in this proceeding as Exhibit B.

2. Southern Counties Gas Company of California may invite the submission of written sealed bids for the purchase of \$23,000,000 of its First Mortgage Bonds, Series D, due 1985, such invitation to be published at least five days prior to the date set for the opening of the bids.

3. Southern Counties Gas Company of California may issue and sell said \$23,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant determined as set forth in this application.

4. Southern Counties Gas Company of California shall use the proceeds from the sale of said bonds for the payment and discharge of short-term indebtedness to Pacific Lighting Corporation; for the payment of costs incurred or to be incurred for the acquisition of properties and for the construction, completion, extension or improvement of its properties or facilities; and for the reimbursement of its treasury. The accrued interest may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$23,000,000 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 upon such price and interest rate.

6. Within 30 days after the issue and sale of said bonds herein authorized, Southern Counties Gas Company of California shall file a report with the Commission showing the date on which said bonds were sold, the names 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 \$8,750.

Dated at San Francisco, California, this 12th day of July, 1960.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners

