

ORIGINAL

Decision No. 62818

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. 43884  
Filed October 30, 1961

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 \$9,150,000 by the end of November, and to finance, in part, the cost 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 earnings from operations and moneys furnished by Pacific Lighting Corporation and, from time to time, to refinance itself through the issue of bonds and common stock. The present application shows that the company's 1961 plant budget amounts to \$15,790,000 and its sinking fund requirements to \$2,064,000; that the internal funds and the proposed issue of common stock will not suffice to meet all the capital requirements of the year; and that applicant will be compelled to borrow additional funds from its parent. 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 September 30, 1961, and as adjusted to give effect to the proposed financing, as follows:

	<u>September 30, 1961</u>	<u>Pro Forma</u>
Bonds	49.79%	47.20%
Stock	43.92	46.84
Surplus	<u>6.29</u>	<u>5.96</u>
Total	<u>100.00%</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 ORDERED as follows:

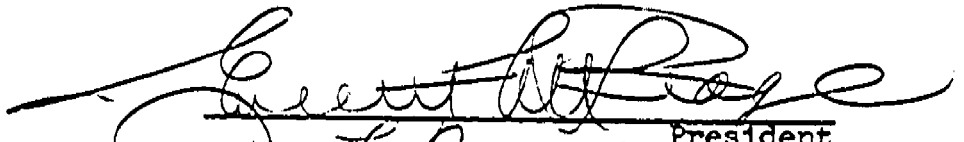


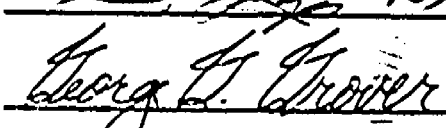
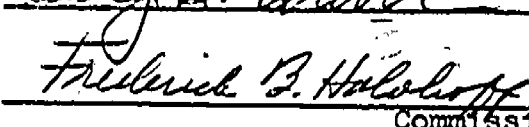
1. Southern Counties Gas Company of California may issue 100,000 shares of its common stock and offer and sell said shares to Pacific Lighting Corporation, at par, on or before December 31, 1961, said shares to be sold pursuant to the pre-emptive rights contained in applicant's Articles of Incorporation.

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 1961 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 shall become effective 20 days after the date hereof.

Dated at San Francisco, California,  
this 21<sup>st</sup> day of NOVEMBER, 1961.

  
President  
  
  
  
  
Commissioners