

ORIGINAL

Decision No. 55506

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY, a corporation, for an order authorizing it to issue and sell \$40,000,000 First Mortgage Bonds, Series E, due 1988, to mortgage its properties, and to execute and deliver to Wells Fargo Bank (formerly named American Trust Company), as Trustee, a Supplemental Indenture dated as of July 1, 1963.

Application No. 45435
Filed May 15, 1963

O P I N I O N

Southern California Gas Company has filed this application for authorization to issue and sell \$40,000,000 of first mortgage bonds for the purpose of refunding a presently outstanding issue of \$30,800,000 of 5-1/8% first mortgage bonds, of paying short-term indebtedness and of reimbursing its treasury and financing the cost of property additions. Applicant intends to offer its bonds for sale at competitive bidding.

The proposed issue will constitute a new series to be designated as First Mortgage Bonds, Series E, Due 1988. They will be dated as of July 1, 1963, will mature July 1, 1988, will bear interest at the rate determined by the successful bid, and will be subject to the five-year restricted redemption provision frequently utilized.

Applicant asserts that it has investigated the desirability of the inclusion of such a proviso and has concluded that it will result in a lower annual cost of money and a broader market among institutional investors than otherwise would be the case.

The Series C bonds to be refunded were dated as of July 1, 1957, mature July 1, 1983, bear interest at the rate of 5-1/8% per annum and will be subject to redemption on August 2, 1963, at a premium of 5.40%. Applicant desires, and seeks permission, to charge the call premiums of \$1,663,200 and estimated expenses (less the unamortized premiums it received on the sale of such Series C bonds) to Account No. 181, Unamortized Debt Discount and Expense, and to credit against such sum the tax savings resulting from such refunding and thereafter to amortize the balance, estimated at \$726,800, by monthly charges to income in Account No. 428, Amortization of Debt Discount and Expense, over the approximate twenty-year remaining life of said Series C bonds. This procedure is in general accord with the provisions of the uniform system of accounts which has been prescribed for natural gas companies.

Applicant further asserts that the refunding of the Series C bonds will reduce interest and sinking fund requirements by reason, primarily, of the lower interest cost it expects to incur in connection with the new bonds.

If a 4-1/2% interest cost is incurred on the new Series E bonds, a saving of 5/8% in interest cost could be achieved, which, based on the \$30,800,000 of Series C bonds, would amount to \$192,500 in the first year the new bonds are outstanding; similarly, the sinking fund requirements would be reduced \$84,000 annually.

The bond proceeds, other than those used to refund the Series C bonds, will be utilized to pay short-term indebtedness owed to Pacific Lighting Corporation, estimated to approximate \$5,000,000 by July 1, 1963, and to reimburse applicant's treasury and finance construction costs. Applicant estimates that its expenditures for plant additions and betterments will aggregate \$23,928,000 in 1963, as shown in some detail in Exhibit C.

We have considered this application and are of the opinion, and so find, that the proposed issue is for proper purposes; that applicant has need for funds from external sources to meet its capital requirements; that applicant will be required to pay a lower interest rate on its bonds than it would pay in the absence of the proposed restricted redemption provision; and 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, which 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 thus granted is for the issue and sale of bonds and is not to be construed as indicative of amounts to be included in future proceedings 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 and that the application should be granted,

IT IS ORDERED that:

1. Southern California Gas Company may invite the submission of written sealed bids for the purchase of \$40,000,000 in aggregate principal amount of its First Mortgage Bonds, Series E, Due 1988, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. Southern California Gas Company may execute a supplemental indenture in the same form, or substantially the same form, as that annexed to the application as Exhibit B, and may issue and sell said \$40,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money calculated as set forth in this application.

3. Southern California Gas Company shall use the proceeds from the issue and sale of such bonds for the retirement, discharge or refunding of its outstanding First Mortgage Bonds, Series C, Due 1983, for the payment and discharge of short-term indebtedness to Pacific Lighting Corporation, for the reimbursement of its treasury and the acquisition of property and the construction, completion, extension or improvement of facilities. The accrued interest may be used for said purposes or for general corporate purposes.

4. Southern California Gas Company may follow the procedure outlined in the application and referred to herein for accounting for and amortizing the net costs of redemption of said Series C bonds.

5. Immediately upon awarding the contract for the sale of said \$40,000,000 of bonds, Southern California Gas Company 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 thirty days after the issue and sale of the bonds herein authorized, Southern California Gas Company shall file a report with the Commission showing the date on which said bonds were sold, the names of those to whom sold, and the consideration received, together with three copies of its prospectus.

7. Within six months after such issue and sale, Southern California Gas Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-A, showing the purposes for which the bond proceeds were used and the journal entries used to record on its books the charges and credits to Account No. 181 resulting from the refunding of said Series C bonds.

8. The authority herein granted shall become effective five days after the date hereof provided Southern California Gas Company has theretofore paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,100.

Dated at San Francisco, California, this 4th day of JUNE, 1963.

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

[Signature] President
[Signature] Acting President

[Signature]

[Signature]

[Signature] Commissioners

