

ORIGINAL

Decision No. 68781

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SOUTHERN COUNTIES GAS COMPANY )  
OF CALIFORNIA for an order )  
(a) authorizing the execution )  
and delivery of a supplemental )  
indenture modifying its First )  
Mortgage Indenture dated )  
January 1, 1941, to WELLS FARGO )  
BANK (formerly named American )  
Trust Company), as Trustee, and )  
(b) approving, after a hearing )  
upon the fairness thereof, the )  
resulting changes in the bonds )  
outstanding thereunder. )

Application No. 47349  
Filed February 19, 1965

In the Matter of the Application )  
of SOUTHERN CALIFORNIA GAS )  
COMPANY for an order )  
(a) authorizing the execution )  
and delivery of a supplemental )  
indenture modifying its First )  
Mortgage Indenture dated )  
October 1, 1940, to WELLS FARGO )  
BANK, (formerly named American )  
Trust Company), as Trustee, and )  
(b) approving, after a hearing )  
upon the fairness thereof, the )  
resulting changes in the bonds )  
outstanding thereunder. )

Application No. 47351  
Filed February 19, 1965

L. T. Rice, Milford Springer, Robert M. Olson, Jr.,  
by L. T. Rice and Milford Springer, for Southern  
Counties Gas Company of California, applicant;  
John Ormasa and L. T. Rice, by L. T. Rice, for  
Southern California Gas Company, applicant;  
R. W. Russell, Chief Engineer and General Manager,  
Department of Public Utilities and Transportation,  
City of Los Angeles, by K. D. Walpert, interested  
party;  
Sidney J. Webb, for the Commission staff.

O P I N I O N

In these proceedings Southern Counties Gas Company of California and Southern California Gas Company request the Commission to make an order, or orders, approving the terms and conditions of proposed exchanges of bonds, after a hearing upon the fairness thereof, and authorizing the execution and delivery of supplemental indentures and the issue and exchange of bonds.

A public hearing on the two matters was held before Examiner Donovan in Los Angeles, on March 17, 1965, after notice of such hearing had been given (1) by publication, at least ten days prior thereto, in newspapers of general circulation in Los Angeles, San Francisco, Chicago and New York, (2) by mailing to all persons (approximately 1,000) who were known or believed to be applicants' bondholders and (3) by mailing to all participating underwriters (approximately 300) of prior issues of applicants' bonds. No protests were received by the Commission and the applications were taken under submission.

Under authorizations heretofore granted by the Commission, Southern Counties Gas Company of California executed its First Mortgage Indenture dated January 1, 1941, and from time to time issued bonds secured thereby, of which \$84,357,000 in principal amount represented by nine series were outstanding on February 28, 1965. Similarly, Southern California Gas Company executed its First Mortgage Indenture dated October 1, 1940, and issued its bonds of which \$192,402,000 in principal

amount represented by eight series were outstanding on February 28, 1965. The terms of the indentures may be modified with the consent of the holders of two-thirds of the principal amount of all outstanding bonds, provided that said fraction of consents is obtained also from holders of the first six series for Southern Counties Gas Company of California and of the first five series for Southern California Gas Company.

Applicants propose to make further modifications in their indentures by means of executing additional supplemental indentures. The proposed modifications are designed principally to facilitate transfers and exchanges of bonds in the secondary market for the benefit of bondholders in connection with the use of registered bonds. More specifically, the proposed modifications would provide for the following:

1. Authenticating agents in addition to the trustee.
2. Full interchangeability of coupon and registered bonds for each series.
3. The safekeeping of coupon bonds surrendered on exchanges of bonds.
4. The optional use of facsimile signatures of applicants' officers on bonds.

The companies desire to modify their indentures in the manner proposed in these proceedings for the following reasons:

1. In conformity with current financial practice, to facilitate the use of registered bonds by (a) providing for full exchange privileges as between coupon and registered bonds, and (b) affording prompt delivery in New York of bonds in specified form and denomination.
2. To realize a saving in interest disbursement costs, estimated to amount to more than \$100,000 over the remaining lives of the present series of bonds of Southern California Gas Company, and \$50,000 for Southern Counties Gas Company of California.
3. To increase the attractiveness of applicants' bonds to investors and thus enhance their marketability.

Applicants allege that the proposed modifications of the indentures are fair to their present bondholders, inasmuch as they will be benefited by the exchange privileges provided by the amendments and by the increased facilities for exchange provided by the use of an authenticating agent in New York and perhaps, at some future time, in other large financial centers.

In addition, applicants allege that said modifications will be (a) advantageous by enabling them to take advantage of the modern trend toward the use of registered bonds, with a resultant saving in administrative costs and (b) in the public interest by virtue of improving the acceptability to investors of their bonds, thereby contributing to their ability to render good utility service at reasonable rates.

The record shows that one or more officers of the applicants have discussed the proposed changes with several of the larger bondholders, the majority of the principal underwriters of applicants' outstanding issues and members of the financial community. In addition, the record shows that a number of bondholders have replied voluntarily since receiving notification of the hearing, and that the persons contacted and bondholders replying voluntarily, with one exception in the latter group, have looked favorably upon the proposed changes and that several commended applicants for taking such action. It appears that the one exception arose from a misunderstanding that future bond issues would be limited to registered form, whereas the intention is to provide for optional coupon form.

Applicants report that they are advised by their counsel that the making of the proposed amendments of the indentures may constitute such a change in the bonds now outstanding thereunder as would, as a matter of law, result in the issuance under the amended indentures of bonds in exchange for a like principal amount of bonds outstanding on the effective date of such amendments. They report they are further advised that in the circumstances it is legally advisable that appropriate authorization be obtained from the Commission for such issuance and exchange and that, in view of the fact that such issuance and exchange might constitute a public offering of the securities involved, it is also legally desirable that the Commission, pursuant to Section 822 of the Public Utilities

Code, approve the terms and conditions of such issuance and exchange, if such it be, after a hearing on the fairness thereof, thus bringing the transactions within the exemption provided by the Securities Act of 1933.

The Commission has considered these matters and assuming, without deciding, that the legal effect of the contemplated transactions will constitute an issuance and exchange of bonds finds, after hearing, that the terms and conditions of such issuance and exchange are fair. In addition, the Commission finds that: (1) the proposed transactions will not be adverse to the public interest; (2) the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required by applicants for the purposes specified herein; and (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the applications should be granted. The authorization herein given is for the issuance and exchange of bonds and the execution and delivery of supplemental indentures, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southern Counties Gas Company of California and Southern California Gas Company may execute and deliver supplemental indentures in the same form, or in substantially the same form, as those attached as Exhibit B to Applications Nos. 47349 and 47351, respectively.

2. The Commission hereby approves the terms and conditions of the proposed issuance and exchange of bonds as herein authorized, and Southern Counties Gas Company of California may issue not to exceed \$84,357,000 in principal amount of First Mortgage Bonds, of several series, in exchange for a like amount of bonds of said series presently outstanding, and Southern California Gas Company may issue not to exceed \$192,402,000 in principal amount of First Mortgage Bonds, of several series, in exchange for a like amount of bonds of said series presently outstanding.

3. Southern Counties Gas Company of California and Southern California Gas Company shall file with the Commission three conformed copies of each of said supplemental indentures as actually executed, such filing to be made within sixty days after execution thereof.

4. The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 5<sup>th</sup> day of MARCH, 1965.

Frederick B. Holdhoff  
President  
George G. Grover  
Commissioners  
William B. Bennett  
Commissioners