

69350

**ORIGINAL**

Decision No. \_\_\_\_\_

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 \$40,000,000 First )  
Mortgage Bonds, Series E, due )  
1990, 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 August 1, 1965. )

Application No. 47672  
Filed June 16, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Southern Counties Gas Company of California to issue and sell \$40,000,000 principal amount of first mortgage bonds, and to execute and deliver a supplemental indenture.

The proposed bonds will constitute a new series which will be designated Series E, due 1990. They will be dated August 1, 1965, will mature August 1, 1990, 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, 1970 (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 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 \$40,000,000 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 the utility with funds to pay and discharge short-term indebtedness to Pacific Lighting Corporation, for the acquisition of property or the construction, completion, extension or improvement of applicant's facilities, and to reimburse its treasury. Applicant estimates that its short-term indebtedness to Pacific Lighting Corporation will amount to approximately \$22,000,000 on August 1, 1965, and states that its construction budget for the year aggregates \$35,510,000.

The company reports its capital ratios as of April 30, 1965, and as adjusted to give effect to the proposed bond issue, as follows:

|                          | <u>April 30,<br/>1965</u> | <u>Pro<br/>Forma</u> |
|--------------------------|---------------------------|----------------------|
| First mortgage bonds     | 39.1%                     | 48.6%                |
| Common stock and surplus | <u>60.9</u>               | <u>51.4</u>          |
| Total                    | <u>100.0%</u>             | <u>100.0%</u>        |

We have considered this application and find that:

(1) applicant will have need for additional funds to meet its obligations and to proceed with its construction activities; (2) the proposed issue of bonds is for proper purposes; (3) the inclusion of a five-year restricted redemption provision in the terms of the bonds will enable applicant to obtain funds at a lower annual cost than it otherwise could; (4) 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 (5) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein granted is for the purpose of this proceeding only 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 may execute and deliver a Supplemental Indenture dated as of August 1, 1965, in the same form, or in substantially 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 not to exceed \$40,000,000 aggregate principal amount of its First Mortgage Bonds, Series E, due 1990, 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 bonds in the aggregate principal amount of not to exceed \$40,000,000 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, exclusive of accrued interest, for the purposes set forth in the application. The accrued interest may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said bonds in the aggregate principal amount of not to exceed \$40,000,000, 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 thirty days after the issue and sale of the bonds herein authorized, Southern Counties Gas Company of California shall file with the Commission three copies of its prospectus pertaining to said bonds.

7. Southern Counties Gas Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

8. This order shall become effective six days after the date hereof, provided Southern Counties Gas Company of California has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$13,000.

*plai*  
Dated at San Francisco, California, this 7 day of JULY, 1965.

*Fredrick B. Hill*  
\_\_\_\_\_  
President  
*John E. Hill*  
\_\_\_\_\_  
*George J. Hoover*  
\_\_\_\_\_  
*Augustus*  
\_\_\_\_\_  
*William L. Bennett*  
\_\_\_\_\_  
Commissioners

