

Decision SS 02 014

FEB 10 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
GAS COMPANY and PACIFIC LIGHTING)
SERVICE COMPANY to execute and)
deliver credit agreements encum-)
bering natural gas inventories.)

Application 57096
(Filed February 17, 1977)

ORIGINAL

Application of SOUTHERN CALIFORNIA)
GAS COMPANY and PACIFIC LIGHTING)
GAS SUPPLY COMPANY to execute and)
deliver credit agreements encum-)
bering natural gas inventories.)

Application 82-10-05
(Filed October 4, 1982;
Petition for Modification
filed October 14, 1987)

OPINION

Summary of Decision

We modify Decisions (D.) 87115, 89593, 92240, and 82-11-016 and grant Southern California Gas Company's (SoCalGas) request to terminate authorization previously granted to Pacific Lighting Gas Supply Company (PLGS) to encumber its natural gas inventories in connection with the obtaining of up to \$275,000,000 of bankers' acceptance financing. We also authorize SoCalGas to increase its bankers' acceptance line of credit to the full \$400,000,000 previously authorized for both SoCalGas and PLGS.

Background and Discussion

By D.87115 dated March 22, 1977, in Application (A.) 57096 the Commission authorized SoCalGas and PLGS to execute and deliver credit agreements for the purpose of securing bankers' acceptance line of credit, from Bank of America National Trust and Savings Association (Bank). SoCalGas and PLGS were authorized to issue bankers' acceptance drawn on Bank for the purpose of purchasing natural gas from interstate suppliers to be put into inventory. Under the terms of the Credit Agreement attached to A.57096 as Exhibit A, the two utilities would encumber a portion of

their natural gas inventories. Bank, in turn, would extend bankers' acceptance line of credit of \$50,000,000 to SoCalGas and \$50,000,000 to PLGS. The total amount of credit to both SoCalGas and PLGS was limited to \$70,000,000 in the aggregate at any one time.

By D.89593 dated October 31, 1978, D.87115 was modified to permit SoCalGas and PLGS to enter into credit agreements with any bank or banks.

By D.92240 dated September 16, 1980, the Commission modified D.87115 and D.89593 to permit bankers' acceptance financing eligible for discount or purchase by a Federal Reserve Bank and to permit the applicants to execute and deliver credit agreements, gas storage agreements, and license agreements substantially in the forms of Exhibits A, B, C, and D attached to the Petition for Modification. The amount of credit was increased from \$50,000,000 to 75,000,000 for SoCalGas and from \$50,000,000 to \$75,000,000 for PLGS. The combined total for both SoCalGas and PLGS was increased from \$70,000,000 to \$100,000,000 at one time.

By D.82-11-016 dated November 3, 1982, the Commission modified D.87115, D.89593, and D.92240 to the extent that SoCalGas and PLGS may modify their credit agreements, execute and deliver additional credit agreements with any bank or banks, to continue in effect or to modify or enter into new license agreements and gas storage agreements with any warehouse company to utilize bankers' acceptance credit up to \$125,000,000 for SoCalGas and \$275,000,000 for PLGS.

By D.85-11-054 dated November 13, 1985, in A.85-09-009 filed September 5, 1985, SoCalGas was granted approval to merge with PLGS. Upon the effective date of the merger, November 26, 1985, PLGS ceased to exist as a corporate entity and SoCalGas succeeded to all its rights, property, and obligations.

In this petition for modification SoCalGas requests that authorization previously granted to PLGS to encumber its natural

gas inventory in connection with obtaining of up to \$275,000,000 of bankers' acceptance financing be terminated and that SoCalGas be authorized to increase its bankers' acceptance line of credit to the full \$400,000,000 previously authorized for both SoCalGas and PLGS.

The bankers' acceptance financing documents for PLGS had certain limitations required by restrictive provisions in the PLGS indenture on the amount of gas inventories which may be financed; specifically, only 60% of PLGS' gas could be financed with bankers' acceptances. Because the outstanding PLGS debentures were retired in connection with the merger, these indenture restrictions are no longer applicable. Also, the banks involved have expressed a desire to do business with SoCalGas under a single agreement and a single authorization, specifically in the name of SoCalGas.

The Commission Advisory and Compliance Division (CACD) has reviewed the application and has determined that SoCalGas needs to continue this type of financing with the modification requested. The CACD has concluded that the requested modification will permit SoCalGas to meet the future cost of stored gas for peaking and seasonal load equation and will help it to finance gas for storage.

As a result of the foregoing, we believe that it is advantageous for the PLGS bankers' acceptance agreements to be terminated and for SoCalGas to increase its bankers' acceptance line of credit to the full \$400,000,000 previously authorized for both SoCalGas and PLGS.

Findings of Fact

1. SoCalGas, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. SoCalGas' proposed modification of bankers' acceptance financing is flexible and provides an economic method of financing gas in storage. The proposal is not adverse to the public interest.

3. SoCalGas needs external funds for the purposes set forth in the application.

4. The money, property, or labor to be procured or paid for by the proposed increase in bankers' acceptance financing is reasonably required for the purposes specified in the application.

5. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

3. The proposed increase in the limit of bankers' acceptance financing is for lawful purposes, and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the bankers' acceptance financing may not be charged to operating expenses or income.

4. The following order should be effective on the date of signature to enable SoCalGas to proceed with its bankers' acceptance financing expeditiously.

ORDER

IT IS ORDERED that:

1. D.87115, D.89593, D.92240, and D.82-11-016 are modified to the extent that authorization previously granted Pacific Lighting Gas Supply Company (PLGS) to encumber its natural gas inventories in connection with the obtaining of up to \$275,000,000 of bankers' acceptance financing is terminated and Southern California Gas Company (SoCalGas) is authorized to increase its bankers' acceptance line of credit to the full \$400,000,000 previously authorized for both SoCalGas and PLGS.

2. Within 30 days of executing and delivering any Credit Agreement, Gas Storage Agreement, or License Agreement, SoCalGas shall file a copy of it with CACD.


This order is effective today.

Dated FEB 10 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Wolcott, Executive Director