

RR/KLH/AFM/WPSC

ORIGINAL

Decision 83 09 070 SEP 30 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
GAS COMPANY for Authorization to)
Obtain Equity Capital of Up To \$60)
Million by the Issuance and Sale)
of Shares of its Series Preferred)
Stock and to Distribute Shares of)
its Common Stock to Pacific Light-)
ing Corporation.)

Application 83-08-25
(Filed August 5, 1983)

O P I N I O N

Southern California Gas Company (SoCal) requests authority, under Public Utilities (PU) Code Sections 816 through 818, 830, and 851, for the following:

1. To issue and sell up to \$60,000,000 aggregate principal amount of SoCal's shares designated "Series Preferred Stock" (Series Preferred) from time to time, in one or more sales, by means of negotiated public offerings through underwriters (including sales under a Shelf Registration statement) or by means of negotiated private placements;
2. To distribute shares of SoCal's common stock to its sole shareholder, Pacific Lighting Corporation (PLC), concurrently with the sale of the Series Preferred, as a stock dividend sufficient to maintain PLC's current percentage ownership of SoCal's voting capital stock;
3. To combine the \$60,000,000 from the sale of the Series Preferred with \$10,000,000 from SoCal's unappropriated retained earnings and substitute the amount of the capital contribution of PLC referred to in Decision (D.) 83-06-093 dated June 23, 1983 in Application (A) 83-05-42 which remains in full force and effect; and

4. To determine the precise amount and timing of each offering and sale of the Series Preferred; the method of sale; the dividend rate (which may be fixed, adjustable, or variable); the liquidation preference and other rights; preferences; privileges; and restrictions to be granted to, or upon, the shares (including redemption and sinking fund provisions, if any); and the price of the stock.

Summary of Decision

This decision grants SoCal the authority requested in its application. It also requires SoCal to file a report showing why the dividend rate and cost of money resulting from the issuance and sale of Series Preferred was the most advantageous to the company and its ratepayers.

Notice of the filing of the application appeared on the Commission's Daily Calendar of August 11, 1983. No protests have been received.

SoCal, a California corporation (a subsidiary of PLC), operates as a public utility under the jurisdiction of this Commission. SoCal purchases, distributes, and sells natural gas to customers throughout most of Southern California and portions of central California.

For the twelve months ended June 30, 1983, SoCal reports, in Exhibit F attached to the application, that it generated total operating revenues of \$4,484,321,844 and net income of \$89,129,141.

Shown as part of Exhibit D attached to the application is SoCal's Balance Sheet as of June 30, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,276,177,000
Other Property and Investments-Net	23,888,000
Current and Accrued Assets	421,083,000
Deferred Debits	<u>221,893,000</u>
Total	\$1,943,041,000
 <u>Liabilities and Equity</u>	
Common Equity	\$ 607,386,000
Preferred Stock	21,551,000
Long-Term Debt	615,815,000
Current and Accrued Liabilities	586,498,000
Deferred Credits	<u>111,791,000</u>
Total	\$1,943,041,000

SoCal's capital ratios as of June 30, 1983 are shown below as reported and adjusted to give pro forma effect to the transactions that follow:

	<u>June 30, 1983</u>	<u>Pro Forma</u>
Long-Term Debt	45.4%	46.6%
Other Long-Term Debt	<u>4.1</u>	<u>3.6</u>
Total Debt	49.5	50.2
 Preferred Stock	 1.7	 5.8
Common Equity	<u>48.8</u>	<u>44.0</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to \$60,000,000 aggregate principal amount of Series Preferred;
2. The authorized but unissued \$90,000,000 aggregate principal amount of debt securities (D.83-06-093 dated June 29, 1983 in A.83-05-42);
3. The \$70,000,000 capital contribution by PLC contemplated by D.83-06-093;
4. The \$70,000,000 cash dividend to PLC in reimbursement for the capital contribution made by it in regard to the sale of debt securities authorized by D.83-06-093;
5. The proposed retention of \$10,000,000 of earnings prior to the date of the cash dividend referred to in Item 4 above; and
6. The proposed distribution to PLC of shares of SoCal's common stock sufficient to maintain PLC's current percentage ownership of SoCal's voting capital stock.

SoCal proposes to obtain equity capital up to \$60,000,000 through one or more public offerings or private placements, and to distribute to PLC shares of its common stock so that PLC's current percentage of ownership of SoCal voting stock will not be diluted after issuance of shares of Series Preferred.

Series Preferred Stock

SoCal proposes to obtain equity capital up to \$60,000,000 through the offering and sale of a minimum of approximately 600,000 shares and a maximum of no more than 2,400,000 shares of its Series Preferred to the public through one or more negotiated underwritings (including sales under a shelf registration statement) or by private placements with institutional or other investors.

The precise amount and timing of each offering and sale of one or more series of Series Preferred; the method of sale; the price; the dividend rate (which may be fixed, adjustable, or variable); the liquidation preference and other rights; preferences; privileges; and restrictions to be granted to, or upon, these shares (including redemption and sinking fund provisions, if any) have not yet been determined and will be established prior to the offering. The sale by SoCal will show due regard for its financial requirements and the prevailing and anticipated market conditions at the time of sale. Each offering and sale of Series Preferred would be effected through the use of purchase and underwriting agreements and other documents and instruments customary for issuance of capital stock by the method selected by SoCal.

We will require SoCal to provide us with a showing of why it believes that the resulting dividend rate and the cost of money on the proposed issue of Series Preferred were the most

advantageous to the company and its ratepayers. We will require this showing within a reasonable period of time after the issuance and sale of the Series Preferred.

Common Stock

In order to avoid the dilution of PLC's ownership of SoCal voting capital stock which would result from the sale and issuance of SoCal Series Preferred, SoCal seeks authority to distribute to PLC, concurrently with the issuance of any shares of Series Preferred, shares of its common stock, as a stock dividend, sufficient to maintain PLC's current percentage ownership of voting capital stock. It is anticipated that approximately 93 shares of common stock would be distributed to PLC for every seven shares of Series Preferred issued. Application of this ratio is expected to result in the distribution of a minimum of approximately 8,000,000 shares to a maximum of no more than 32,000,000 shares of common stock to PLC in the aggregate in connection with the Series Preferred proposed to be issued.

Use of Proceeds

SoCal proposes to use the proceeds obtained from its proposed offering and sale of Series Preferred combined with an increase of \$10,000,000 in SoCal's unappropriated retained earnings in substitution for the capital contribution of PLC referred to in Commission's D.83-06-093 so as to maintain an

appropriate debt to equity ratio after the accomplishment of proposed debt financings authorized by D.83-06-093. To the extent that PLC makes the capital contribution contemplated by D.83-06-093, or any portion of it, and SoCal sells shares of Series Preferred, SoCal may, substantially concurrent with the receipt of proceeds from the sale of the Series Preferred, pay a cash dividend to PLC equal to PLC's capital contribution.

The Commission's Revenue Requirement Division has reviewed SoCal's application and its proposed sale of Series Preferred, the issuance of common stock to PLC, and the restructuring of its equity components. The Division has no objection to the authority requested in SoCal's application.

Findings of Fact

1. SoCal, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. SoCal has need for external funds for the purposes set forth in the application.
3. SoCal' proposed sale and issuance of Series Preferred and issuance of common stock are for proper purposes.
4. Authorizing SoCal to determine the precise amount and timing of each offering and sale of one or more series of Series Preferred; the method of sale; the price; the dividend rate (which may be fixed, adjustable or variable); the liquidation preference

and other rights; preferences; privileges; and restrictions to be granted to, or upon, the shares (including redemption and sinking fund provisions, if any) within the constraints set forth in the application, is in the public interest.

5. The money, property, or labor to be procured or paid for by the proposed issues of capital stock is reasonably required for the purposes specified in the application.

6. There is no known opposition and no reason to delay granting the authorizations 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:

The proposed capital stock issues are for lawful purposes and the money, property, or labor to be obtained is required for these purposes. Proceeds from the issues of capital stock may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1 to enable SoCal to issue its capital stock expeditiously.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) is authorized to obtain up to \$60,000,000 of equity capital by the issuance and sale of one or more series of Series Preferred Stock (Series Preferred), at any time or from time to time, in one or more public offerings through negotiated underwritings (including sales under a shelf registration statement) or by one or more negotiated private placements with institutional or other investors.

2. SoCal is authorized to distribute, substantially concurrent with the issuance of its Series Preferred, to Pacific Lighting Corporation (PLC) as a stock dividend, shares of its common stock, sufficient to maintain PLC's current percentage ownership of SoCal voting capital stock.

3. SoCal is authorized to combine the \$60,000,000 of equity capital obtained from the sale of Series Preferred with an increase of \$10,000,000 in its unappropriated retained earnings and to substitute the amounts for the capital contribution of PLC referred to in Commission Decision 83-06-093 which decision remains in full force and effect.

4. SoCal is authorized to determine the precise amount and timing of each offering and sale of Series Preferred; the method of sale; the price; the dividend rate (which may be fixed, adjustable, or variable); the liquidation preference and other rights; preferences; privileges; and restrictions to be granted to, or upon, the shares (including redemption and sinking fund provisions, if any), in the manner and subject to the limitations set forth in its application.

5. Within 30 days after the issuance and sale of any series of Series Preferred, SoCal shall file with the Commission a report showing why the resulting dividend rate and cost of money was the most advantageous to the company and its ratepayers.

6. SoCal shall file the reports required by General Order Series 24.

7. The authority granted by this order to issue capital stock will become effective when SoCal pays \$36,000, the fee set by PU Code Section 1904.1. In all other respects, this order is effective today.

Dated SEP 30 1983 at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate

Commissioner William F. Bagley
being necessarily absent, did
not participate.

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

Joseph E. Bodovius
Joseph E. Bodovius, Executive Director

