

Decision No. 92452 DEC 2 - 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
 GAS COMPANY for Authorization to)
 Issue Additional First Mortgage)
 Bonds and to Mortgage its)
 Properties.)

Application No. 60005
 (Filed October 16, 1980)

O P I N I O N

Southern California Gas Company (SoCal) requests authority, pursuant to Sections 818 and 851 of the Public Utilities Code, (a) to issue and sell by means of a competitive offering not to exceed \$130,000,000 aggregate principal amount of its First Mortgage Bonds (New Bonds) in one or more series prior to December 31, 1981 and (b) to execute and deliver a Supplemental Indenture or Indentures.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 21, 1980. There have been no protests.

SoCal is a California corporation (a subsidiary of Pacific Lighting Corporation) and a public utility engaged principally in purchasing, distributing and selling natural gas to customers throughout most of Southern California and portions of Central California. For the Calendar Year 1979, SoCal reports it generated total operating revenues of \$1,951,314,928 and net income of \$51,408,354. SoCal also reports, in Exhibit D attached to the application, that in the twelve months ended August 31, 1980, it generated total operating income of \$2,818,324,332 and net income of \$52,410,700.

SoCal's Balance Sheet as of August 31, 1980, attached to the application as Exhibit B, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,058,452,000
Other Property and Investments	5,868,000
Current and Accrued Assets	483,051,000
Deferred Debits	<u>177,107,000</u>
Total	<u>\$1,724,478,000</u>

<u>Liabilities and Capital</u>	
Common Equity	\$ 507,540,000
Long-Term Debt	502,272,000
Current and Accrued Liabilities	664,101,000
Deferred Credit and Operating Reserves	<u>50,565,000</u>
Total	<u>\$1,724,478,000</u>

SoCal's capital budget through September 24, 1980, amounted to \$117,463,000 of which \$74,310,000 has been spent and \$43,153,000 remains to be expended in the future. The utility estimates it will spend \$167,898,000 for capital construction in 1981. A classification of the budgeted construction for 1980 and 1981 is as follows:

<u>Description</u>	<u>1980</u>	<u>1981</u>
Services to New Customers	\$ 48,162,000	\$ 57,918,000
Betterments and Retirements	56,326,000	66,836,000
Underground Storage	3,419,000	14,108,000
Land, Construction and Alterations of Structures	9,468,000	25,175,000
Furniture, Equipment, Tools, etc.	2,048,000	3,757,000
Removal and Other Misc. Costs	<u>(1,960,000)</u>	<u>104,000</u>
Totals	<u>\$117,463,000</u>	<u>\$167,898,000</u>

SoCal reports that as of August 31, 1980, its unreimbursed construction expenditures amounted to \$71,263,390 as set forth in Exhibit D attached to the application and summarized as follows:

<u>September 30, 1940 to August 31, 1980</u>		<u>Amount</u>
Net Construction Expenditures		\$1,534,678,687
Par Value of Redeemed Securities		<u>333,960,000</u>
	Total	<u>\$1,868,638,687</u>
<u>Deductions</u>		
Proceeds: Sale of First Mortgage Bonds		\$ 836,491,460
Sale of Common Stock		253,700,000
Paid-in Capital		122,388,907
Depreciation		<u>584,794,930</u>
	Total	<u>\$1,797,375,297</u>
Unreimbursed Construction as of August 31, 1980		<u>\$ 71,263,390</u>

SoCal proposes to issue and sell its New Bonds in an aggregate principal amount not to exceed \$130,000,000. The New Bonds are proposed to be issued and sold in one or more series at anytime or from time to time on or prior to December 31, 1981. The principal amount, maturity, rights, terms of redemption, and timing of issuance and sale of each series will be determined by applicant prior to the offering thereof with due regard for SoCal's financial requirements and the prevailing and anticipated market conditions at the time of sale. The application indicates that the maturity of the New Bonds would not exceed between five and thirty years. By letter dated October 23, 1980, SoCal indicates the New Bonds will have a restricted redemption period of not to exceed five years.

SoCal proposes that the New Bonds would be created and authorized for issuance by SoCal's execution and delivery to Wells Fargo Bank, National Association, as Trustee (the Trustee) for holders of First Mortgage Bonds, of a Supplemental Indenture to be dated approximately the date of issuance of a particular series of its New Bonds. The Supplemental Indentures would supplement the Indenture dated as of October 1, 1940, as previously supplemented and amended, pursuant to which SoCal's presently outstanding First Mortgage Bonds were issued and substantially all of its property is

mortgaged as security for its First Mortgage Bonds. The Supplemental Indentures would set forth the terms of the New Bonds and expressly convey and mortgage to the Trustee certain of SoCal's properties as security for its First Mortgage Bonds, including the series of New Bonds.

SoCal proposes to offer the New Bonds for sale pursuant to this Commission's competitive bidding procedures and to effect the offering, issuance and sale by offering documents and purchase agreements containing terms and conditions customary for the offering, issuance and sale of first mortgage bonds by public utilities through competitive bidding procedures.

SoCal's capital ratios as of August 31, 1980, and as adjusted to give pro forma effect to (a) the proposed issuance of \$130,000,000 aggregate principal amount of New Bonds; (b) the retirement of \$93,263,000 principal amount of First Mortgage Bonds maturing in 1980 and 1981; and (c) the contribution of \$40,000,000 to applicant's common equity from applicant's parent corporation (Pacific Lighting Corporation) in 1981 are as follows:

<u>Component</u>	<u>August 31, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	49.7%	49.6%
Preferred Stock	2.1	2.0
Common Equity	<u>48.2</u>	<u>48.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

SoCal proposes to use the net proceeds from the sale of its New Bonds for the following purposes:

<u>Purpose</u>	<u>Amount</u>
(a) Retirement of Bonds Through Operation of the Sinking Fund Provision	\$ 13,136,000
(b) Retirement of Bonds at Maturity	83,160,000
(c) Reimbursement of the Treasury for a Portion of the Funds Expended for Construction	<u>33,704,000</u>
Total	<u>\$130,000,000</u>

The accrued interest will be used for general corporate purposes.

The Revenue Requirements Division of the Commission's staff has reviewed the application and SoCal's construction budget. The staff has concluded that the sale of SoCal's proposed New Bonds is necessary to provide funds for the purposes specified in the application. The division has no objection to the proposed bond issue or issues, but reserves the right, however, to consider the reasonableness of construction expenditures in future rate proceedings.

Findings of Fact

1. SoCal is a California corporation operating 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's proposed sale of its New Bonds, in one or more series in the aggregate principal amount not to exceed \$130,000,000 through competitive bidding, is for proper purposes.
4. The proposed five-year restrictive redemption for the New Bonds is reasonable.
5. The proposed Supplemental Indenture or Indentures would not be adverse to the public interest.
6. The money, property or labor to be procured or paid for by the proposed New Bonds herein authorized is reasonably required for the purposes specified in the application, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. There is no known opposition 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.

The authority granted herein 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 California Gas Company, on or after the effective date hereof and on or before December 31, 1981, may issue, sell and deliver, at one time or from time to time, in one or more series, its First Mortgage Bonds with a maturity date not to exceed thirty years from their date of issuance, through competitive bidding, in the aggregate principal amount not to exceed \$130,000,000.
2. Southern California Gas Company may execute and deliver a Supplemental Indenture or Indentures in substantially the same form as that issued in connection with its First Mortgage Bonds, Series M, authorized by Decision No. 90788, dated September 12, 1979, in Application No. 59015.
3. Southern California Gas Company shall apply the proceeds from the sale of its First Mortgage Bonds to the purposes set forth herein and shall file with the Commission a report or reports with respect thereto as required by the Commission's General Order 24-B.
4. Southern California Gas Company shall file with the Commission, promptly upon the availability thereof, three copies of each prospectus and preliminary prospectus and each supplement thereto with respect to the offering of its First Mortgage Bonds authorized herein.

5. This order shall become effective when Southern California Gas Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$24,368.50, after taking credit for the retirement of \$93,263,000 principal amount of First Mortgage Bonds due in 1980 and 1981.

Dated DEC 2 - 1980, at San Francisco, California.

John E. Bryan
President

Richard D. Howell

Edward W. Smith
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

