



WHITSELL, COMMISSIONER:

O P I N I O N

In Application No. 16338, West Coast Gas & Fuel Company, a corporation, asks that this Commission grant to it a certificate of public convenience and necessity authorizing the exercise of rights and privileges to be granted to it under certain franchises which it intends to obtain and the construction and operation of liquid gas plants and systems in the cities or towns of Sonora and Jamestown in the County of Tuolumne, San Andreas and Angels in the County of Calaveras, King City in the County of Monterey, Jackson and Sutter Creek in the County of Amador, Placerville and Diamond Springs in the County of El Dorado, Auburn and New Castle in the County of Placer, Susanville in the County of Lassen, Alturas in the County of Modoc, Lakeport in the County of Lake, or as an alternate project the construction and operation of a natural gas transmission line for the purpose of delivering 1100 BTU natural gas to the above mentioned communities and also to the additional towns and communities of Brighton, Perkins, Mills, Natoma, Folsom, Loomis, Rocklin, Penryn, Clarksville, Shingle Springs and El Dorado, or the construction and operation of liquid gas plants and systems to serve all of the towns and communities above mentioned.

In Application No. 16554, Natural Gas Corporation of California asks that this Commission grant to it a certificate of public convenience and necessity authorizing the exercise of rights and privileges to be granted to it under certain franchises which it intends to secure and the construction and operation of liquid gas plants and systems in the cities or towns of Sonora in the County of Tuolumne, King City in the County of Monterey, Jackson

in the County of Amador, Placerville in the County of El Dorado, Auburn in the County of Placer, Susanville in the County of Lassen, Alturas in the County of Modoc and Lakeport in the County of Lake.

In Application No. 16811 filed on August 14, 1930, B. H. Steffen asks that this Commission grant to him a certificate of public convenience and necessity authorizing the exercise of rights and privileges to be granted to him under franchise by the City of Alturas in the County of Modoc, and the construction and operation of a liquid gas plant and system to serve said city.

These three applications were consolidated for purposes of hearing and decision. Public hearings were had on June 28; October 1, 2, 3, 10, 21, 22, 29 and 30; and November 13, 1930; and on June 9 and August 20, 1931. On the last mentioned date the matters were submitted.

Testimony and evidence, together with cost estimates of construction and operation, were introduced at these hearings by witnesses for West Coast Gas and Fuel Company and Natural Gas Corporation of California for the purpose of showing that public convenience and necessity require and will require the service which said applicants are asking authority to render. The record contains no showing by B. H. Steffen and for this reason I will recommend in this Order that his application, (No. 16811) be denied.

At the hearing held on August 20, 1931, at San Francisco, California, Mr. R. L. Vaughan, counsel for applicant Natural Gas Corporation of California, stated as follows:

"May it please your Honor, at this time I would like to state the position of the Natural Gas Corporation of California with reference to its application. Mr. Grunsky has testified that it is not feasible or practical to construct the plants and systems at present and we wish to advise the Commission and the parties in interest that even if the certificate were granted to us we would not exercise it now, nor would we be willing to state or give a definite time when we would exercise it."(Tr.-page 260)

In view of this statement and the testimony of Mr. Chas. Grunsky, applicant's witness mentioned therein, I am of the opinion that the application of Natural Gas Corporation of California (No.16554) should be denied and will so recommend in this order.

In connection with the application of West Coast Gas & Fuel Company (No. 16338) after careful study of all of the testimony and evidence in the record, I am of the opinion that the only service which public convenience and necessity now require is the service of liquid gas in the cities or towns of Placerville in El Dorado County and Auburn in Placer County.

F. Emerson Hoar, witness for West Coast Gas & Fuel Company, introduced the following estimates of fixed capital, revenue and operating expense for plants in these two towns:

<u>Location</u> <u>Year</u>	<u>AUBURN</u>		<u>PLACERVILLE</u>	
	<u>1931</u>	<u>1933</u>	<u>1931</u>	<u>1933</u>
Fixed Capital .....	\$76,033.	\$82,790.	\$58,233.	\$69,503.
Revenue .....	24,356.	27,578.	17,736.	21,845.
Operating Expense .....	17,909.	20,520.	13,634.	15,983.
Average rate per 1000 cu.ft. of 550 B.t.u. gas for 8 per cent return ..	1.676	1.544	1.842	1.840

Under the present depressed business conditions, it appears inadvisable at this time to authorize the construction and operation of gas plants in any of the communities, other than these two, and there is no assurance that the construction and operation of plants in even these two communities would be successful from a financial standpoint.

The record does not show how applicant, West Coast Gas & Fuel Company will finance the cost of the properties, except that it will undertake to finance the same on a basis satisfactory to the Commission. It appears to us, in view of the uncertainty as to whether the two plants at Auburn and Placerville can be oper-

ated on a profitable basis, that whatever money may be necessary to build these plants should be obtained through the issue of common stock. We do not believe that these properties are such as to warrant the issue of either preferred stock or bonds. While the West Coast Gas & Fuel Company does not ask in this proceeding, or in Application No. 16402 now pending before the Commission, to issue stock to finance the building of the two plants, we deem it advisable to indicate to the company the basis on which it may be authorized to issue stock. If it resorts to the issue of no par value common stock, it should be sold for not less than \$25.00 per share. If it issues par value stock, the par value of the shares should be not less than \$25.00 per share and the stock sold for not less than par. Of the moneys received from the sale of the stock, an amount of not more than fifteen percent may be used to pay organization expenses and the cost of selling the stock. All proceeds, except the aforesaid fifteen percent, must be deposited in a special bank account and may be expended only for such purposes as the Commission may from time to time authorize. The stock subscription blank should in some appropriate manner refer to the deposit of at least eighty-five percent of the payments made on stock subscriptions.

No expenditures for the purpose of building the plants will be authorized until an amount equal to at least eighty percent of the estimated cost of the plants is on deposit. If the company is not successful in financing its plants, the money on deposit must be returned to the stock purchasers.

The order herein does not authorize the issue of any stock. If the company proposes to proceed with its plans, it should file an application to issue the necessary stock. Application No. 16402

is not sufficient. If it concludes to proceed with the building of the two plants we suggest that it amend its Articles of Incorporation and provide only for common stock and for not more than one class of preferred stock. We will not authorize the issue of any class of stock under the present Articles of Incorporation except common.

It is my opinion that the people of Placerville and Auburn should not be deprived of liquid gas service if it can be established on a reasonable cost basis, and the rendering of the same is at all feasible. I shall recommend the granting of a certificate therefor, subject to the conditions in the following Order:

#### O R D E R

West Coast Gas & Fuel Company, Natural Gas Corporation of California, and B. H. Steffen, having applied to this Commission for certificates of public convenience and necessity authorizing the exercise of rights and privileges to be granted to them under certain franchises and the construction and operation of the gas plants and systems described in the above Opinion, public hearings having been held, the matters being submitted and now ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that present and future public convenience and necessity require and will require the exercise, under such terms and conditions as the Commission may hereafter determine, by West Coast Gas & Fuel Company of the rights and privileges under the franchises which it contemplates to obtain from the city or town of Auburn and from the city or town of Placerville and the con-

struction by West Coast Gas & Fuel Company of the liquid gas plants and/or systems in the said cities or towns of Auburn and Placerville, described in its application, provided that the West Coast Gas & Fuel Company shall not undertake the construction of any of said plants or systems unless and until it has filed with this Commission-

- (1) Certified copies of the franchises necessary to construct and operate said gas plants in the cities or towns of Auburn and Placerville, together with a stipulation duly executed upon authority of its Board of Directors agreeing that applicant, its successors or assigns will never claim before the Commission or any other public body or court a value for such franchises in excess of the actual cost thereof, which cost shall be set forth in the stipulation, and has obtained from this Commission an order granting it permission to exercise the rights and privileges granted by said franchises.
- (2) Copies of all contract agreements under which West Coast Gas & Fuel Company will receive or purchase the liquid gas that it proposes to sell in the cities or towns of Auburn and Placerville.

IT IS HEREBY ORDERED, that Application No. 16811 (B. H. Steffen) and Application No. 16554(Natural Gas Corporation of California) be, and the same are hereby, denied.

IT IS HEREBY FURTHER ORDERED, that Application No. 16338 (West Coast Gas & Fuel Company) be, and the same is hereby, denied except as otherwise provided in this order in reference to the cities or towns of Auburn and Placerville.

IT IS HEREBY FURTHER ORDERED, that the rights and privileges herein granted will become null and void on June 30, 1932, unless West Coast Gas & Fuel Company shall, prior to said June 30,

1932, have completed and placed in operation the aforesaid plants.

The foregoing Opinion and Order are hereby ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 23rd day of November, 1931.

Chas. J. ...  
Leon ...  
M. J. ...  
M. B. ...  
Fred G. ...

Commissioners.