

ORIGINALDecision No. 54121

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SHELDON OIL COMPANY, a
corporation, for Authority to
Issue Capital Stock.

Application No. 38539

O P I N I O N

This is an application by Sheldon Oil Company for authorization to issue \$400,000 of common stock to capitalize surplus and to issue and sell \$200,000 of common stock at not less than par, to provide working capital.

Applicant was organized in 1946 and, at the outset, engaged in the business of selling and distributing petroleum products. In 1955, under authorization granted by Decision No. 51553, dated June 7 of that year, it undertook operations as a petroleum irregular route carrier in the northern part of the state. Its utility operations constitute a small part of its total.^{1/}

It appears that applicant maintains plants at Suisun, Sacramento and Stockton, and that it has financed itself with common stock equity capital. A summary statement of its assets, liabilities and capital as of September 30, 1956, is as follows:

^{1/} Applicant's financial reports show:

	<u>Years Ended May 31</u>	
	<u>1955</u>	<u>1956</u>
Gross profit - sales	\$601,857	\$816,978
Utility revenues	<u>153,858</u>	<u>158,667</u>
Total	\$755,715	\$975,645
Net income	\$ 61,093 ⁷	\$ 57,755

Net Assets

Current assets -		
Cash	\$ 62,889	
Notes receivable	2,746	
Accounts receivable	1,019,403	
Inventories	<u>147,401</u>	
Total current assets	1,232,439	
Less - current liabilities	<u>769,420</u>	
Net current assets		\$ 463,019
Property - less reserves		480,436
Other assets		53,305
Deferred charges		<u>35,689</u>
Total		<u>\$1,032,449</u>

Capital

Common stock	\$ 400,000
Capital surplus	46,395
Paid-in surplus	9,564
Earned surplus	<u>576,490</u>
Total	<u>\$1,032,449</u>

It appears that the company has been paying annual dividends of \$16,000, being at the rate of 4% on the par value of its outstanding stock, but that for the most part it has retained its earnings in its business. It now desires to capitalize a portion of its retained earnings through the issue to its present shareholders of additional shares of the aggregate par value of \$400,000, thereby bringing the par value of its outstanding stock up to \$800,000 and reducing its earned surplus to \$176,490.

In addition, applicant proposes to offer \$200,000 par value of stock for sale for cash in order to augment its working capital. It reports that a large portion of its nonutility business consists of selling asphalt and road oils to contractors, that the volume of such business is increasing and that it is necessary for the company to carry the contractors pending receipt of payments by them under state and federal contracts.

The staff of the Commission has made a review of applicant's records which indicates that its retained earnings invested in its business are well in excess of the proposed distribution of shares of stock, that its volume of business has been increasing and has required a larger investment by applicant in current assets, and that applicant has suffered from few, if any, delinquent accounts.

Upon considering this matter, we are of the opinion that the public utility operations will not be affected adversely by the proposed stock transaction. Accordingly, an order will be entered granting applicant's request.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:


1. Sheldon Oil Company may issue not to exceed 4,000 shares of its common stock on or before March 31, 1957, to reimburse its treasury because of earnings invested in its properties and business, and may distribute such shares to its present shareholders of record.

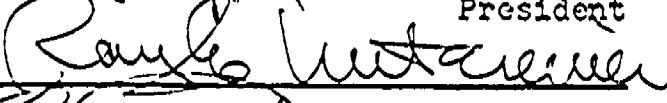
2. Sheldon Oil Company may issue and sell 2,000 shares of its common stock on or before March 31, 1957, at not less than the par value, for the purposes of providing working capital for the maintenance and improvement of its facilities and operations.


3. Sheldon Oil Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.


4. The authority herein granted will become effective on the date hereof.


Dated at San Francisco, California, this 27th day of November, 1956.



President








Commissioners