

ORIGINAL

Decision No. 68899

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)
)
 SOUTH TAHOE GAS CO., a)
 California corporation,)
)
 for an order authorizing it to)
 issue and sell not to exceed)
 30,000 common shares, without)
 par value, at a price of not)
 less than \$10 per share.)

Application No. 47432
Filed March 25, 1965

OPINION

South Tahoe Gas Co. has filed this application requesting authority to issue and sell 30,000 shares of its common stock, without par value, at a price of not less than \$10 per share.

Applicant is a California corporation engaged in business as a public utility providing liquefied petroleum gas service in portions of El Dorado County, California. For the year 1964 its reported gross operating revenues and net income were \$463,536 and \$48,398, respectively, and as of December 31, 1964 its \$530,170 net investment in gas plant was offset primarily by short-term bank loans of \$195,000, together with common stock (37,653 shares) and earned surplus amounting to \$279,100 and \$31,021, respectively.

The company asserts that funds are needed to finance the cost of constructing a major extension of its system which will make natural gas available ultimately throughout the southern Lake Tahoe area. According to the application, the utility expects to incur capital expenditures exceeding \$1,000,000 during 1965 and subsequent years in connection with the conversion of its existing system to natural gas and the construction of facilities required to supply natural gas to present and prospective customers.

In this proceeding, applicant requests authority to issue and sell not to exceed 30,000 shares of common stock pursuant to a subscription offering to its shareholders at a cash price of \$10 per share, which is in excess of the book value. It proposes to apply \$195,000 of the proceeds toward retirement of short-term construction loans and to use the \$105,000 balance for financing a portion of its anticipated capital expenditures. The proposed offering will be made to existing common stockholders on the basis of nine and one-half shares for each twelve shares held (rounded off so that the total number of additional stock offered is not in excess of 30,000 shares), and each shareholder will also have the privilege of subscribing for his pro rata portion of stock offered to and not purchased by other shareholders.

The application shows that the company's common stock is closely held and is not traded in the securities market, that it would not be feasible to issue transferable subscription rights, and that the principal stockholders have indicated informally a willingness to purchase any unsubscribed shares. Applicant reports that the additional funds which will be required to finance its construction program will come from short-term loans pending the filing of an appropriate application to issue and sell long-term debt securities at a later date.

The Commission has considered this matter and finds that: (1) the proposed stock issue is for proper purposes; (2) 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 (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place South Tahoe Gas Co. and its shareholders on notice that we do not regard the number of shares outstanding, the total stated value of the shares nor the dividends paid as measuring the return the company should be allowed to earn on its investment in

plant and that the authorization herein given is not to be construed as a finding of the value of the company's stock or properties nor 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. South Tahoe Gas Co., on or after the effective date hereof and on or before December 31, 1965, may issue and sell for cash not to exceed 30,000 shares of common stock at a price of not less than \$10 per share to its common shareholders in the manner and for the purposes specified in the application.

2. South Tahoe Gas Co. shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. Prior to the issue and sale of stock as herein authorized, South Tahoe Gas Co. shall file with this Commission three copies of its offering circular.

4. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 20th day of April, 1965.

Fredrick B. Holcomb
President

George H. Hoover
Attorney

William L. Bennett
Commissioners