

ORIGINAL

Decision No. 72791

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)
)
 SOUTH TAHOE GAS CO., a)
 California corporation,)
)
 for authority (i) to execute a)
 loan agreement with Pacific)
 Mutual Life Insurance Company)
 and, pursuant thereto, to issue)
 its promissory note in the)
 principal amount of \$200,000 and)
 execute a first supplemental)
 security agreement and mortgage)
 of chattels and real property,)
 and (ii) to issue and sell not)
 to exceed 4510 shares of its)
 common stock, without par value.)

Application No. 49503
Filed June 27, 1967

O P I N I O N

This is an application for an order of the Commission authorizing South Tahoe Gas Co. (1) to issue and sell not exceeding 4,510 shares of its common stock, without par value, at a price of \$11 per share; (2) to execute and deliver a Loan Agreement and a First Supplemental Security Agreement and Mortgage of Chattels and Real Property; and (3) to issue a Promissory Note in the principal amount of \$200,000.

Applicant is a California corporation engaged in business as a public utility providing gas service in the City of South Lake Tahoe and adjacent territory in El Dorado County. For the five months ended May 31, 1967, the company reports operating revenues of \$420,068 and net income amounting to \$64,814.

The balance sheet as of May 31, 1967, attached to the application as part of Exhibit A, discloses that applicant's net gas plant, after deducting accumulated depreciation, amounted to \$1,648,061. The corporation's capitalization ratios on the balance sheet date, and as adjusted to give effect to the financing proposed herein, are computed as follows:

	<u>May 31, 1967</u>	<u>Pro Forma</u>
Long-term debt	47%	52%
Common stock equity	<u>53</u>	<u>48</u>
Total	<u>100%</u>	<u>100%</u>

The company reports \$360,000 of outstanding short-term bank loans incurred to finance its 1966 construction program. For the purpose of obtaining funds to refund a substantial portion of said outstanding bank loans, applicant proposes to issue a long-term note in the principal amount of \$200,000 and to issue and sell at a price of \$11 per share not exceeding 4,510 shares of its common stock, without par value. The proposed note issue is conditioned upon the sale of at least 4,500 shares of said stock at the indicated price.

The application shows that the additional shares of common stock will be offered to the company's shareholders in the ratio of one additional share for each 15 shares held, at the subscription price of \$11 per share. Subscription warrants to be issued to shareholders will carry the privilege of subscribing at the subscription price, subject to allotment in the event of over-subscription, for shares not sold upon the exercise of rights. The subscription price is approximately equal to the

current book value per share of the presently outstanding shares of common stock.

Applicant proposes to borrow \$200,000 from Pacific Mutual Life Insurance Company pursuant to the provisions of a Loan Agreement. The borrowing will be evidenced by a note bearing interest at the rate of 6-3/4% per annum payable semi-annually. The note will mature in 20 years and will be secured by an existing Security Agreement and Mortgage of Chattels and Real Property dated as of December 1, 1965, as supplemented by a proposed First Supplemental Security Agreement and Mortgage of Chattels and Real Property. Optional prepayment privileges will be subject to restrictions for five years and the initial redemption price for the first ten years will be 106-3/4% of the principal amount, plus accrued interest.

The Commission has considered this matter and finds that: (1) the proposed stock and note issues are for a proper purpose; (2) applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted prepayment provision; (3) the money, property or labor to be procured or paid for by the issue of the stock and note herein authorized is reasonably required for the purpose specified herein; (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the proposed documents will not be adverse to the public interest. 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 applicant 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 applicant should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of applicant'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 September 30, 1967, may execute and deliver a Loan Agreement and a First Supplemental Security Agreement and Mortgage of Chattels and Real Property in the same form, or in substantially the same form, as those attached to the application.

2. South Tahoe Gas Co., on or after the effective date hereof and on or before September 30, 1967, may issue its Promissory Note in the principal amount of not exceeding \$200,000 for the purpose specified in this proceeding. Said note shall be in the same form, or in substantially the same form, as that attached to the application.

3. On or after the effective date hereof and on or before September 30, 1967, for the purpose specified in this proceeding, South Tahoe Gas Co. may issue and sell not exceeding 4,510 shares of its common stock for cash at a price of \$11 per share.

4. 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.

5. This order shall become effective when South Tahoe Gas Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$200.

Dated at San Francisco, California,
this 21st day of JULY, 1967.

[Signature]
President

[Signature]
[Signature]
[Signature]
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

