

Decision No. 32769

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of CALIFORNIA-PACIFIC UTILITIES COMPANY for an order authorizing it (1) to issue its note in the principal amount of \$50,000 to Bank of America National Trust and Savings Association; and (2) to issue an additional \$160,000 principal amount of bonds.

ORIGINAL

Application No. 23157

Orrick, Dahlquist, Neff & Herrington,
by C. L. Barnard, for applicant.

Alvin A. Kurtz, for the Public Utilities
Commissioner of Oregon.

BY THE COMMISSION:

O P I N I O N

In this application, as amended, California-Pacific Utilities Company asks permission to issue, for the purposes hereinafter stated, \$160,000 of its first and refunding mortgage bonds, Series A, 5%, due 1958, and a \$50,000 note.

Applicant is a corporation organized under the laws of the State of California. It owns and operates in California a public utility water system in Benicia and vicinity, a public utility electric system in Weaverville and vicinity, a public utility electric system and water plant in Susanville and vicinity, and a public utility electric system, gas plant and telephone plant in Needles and vicinity. In Oregon applicant owns and operates public utility gas plants in Klamath Falls, Ashland, Medford, Grants Pass, Talent, Phoenix and Roseburg and vicinity. In Nevada it owns and operates a public utility electric system in the Nelson Mining District and Searchlight and vicinity.

Applicant filed with the Public Utilities Commissioner of Oregon an application similar to that filed with us. A joint hearing was held on the two applications on December 20, 1939. This hearing was held before J. L. Kennedy, examiner for the Public Utilities Commissioner of Oregon and W. C. Fankhauser, examiner for the Railroad Commission of the State of California.

Subsequent to the hearing, to-wit, on December 22, 1939, applicant filed a revised collateral pledge agreement.

As of October 31, 1939 applicant in Exhibit A shows assets and liabilities as follows:-

ASSETS AND OTHER DEBITS

UTILITY PLANT:

Electric plant	\$1,036,460.78	
Gas plant	702,774.35	
Water plant	742,829.59	
Other utility plant	60,577.54	
Organization expense	13,630.85	
Construction work in progress	<u>91,703.39</u>	\$2,647,976.50

INVESTMENT AND FUND ACCOUNTS:

Other physical property	3,462.37	
Investments in associated companies	8,000.00	
Other investments	4,650.00	
Sinking funds	2,879.68	
Miscellaneous special funds	<u>1,917.10</u>	20,909.15

CURRENT AND ACCRUED ASSETS:

Cash	12,973.55	
Special deposits	1,759.17	
Notes receivable	2,318.91	
Accounts receivable	91,618.72	
Materials and supplies	68,787.65	
Prepayments	<u>4,794.74</u>	182,252.74

DEFERRED DEBITS:

Unamortized debt discount and expense	16,096.00	
Extraordinary property losses	167,441.36	
Clearing accounts	968.02	
Other deferred debits	<u>4,677.89</u>	189,183.27

Total assets and other debits

\$3,040,321.66

LIABILITIES AND OTHER CREDITS

CAPITAL STOCK:

Common capital stock	\$ 129,000.00	
Preferred capital stock	1,094,000.00	\$1,223,000.00

LONG TERM DEBT:

Bonds	719,500.00	
Miscellaneous long term debt	15,104.74	734,604.74

CURRENT AND ACCRUED LIABILITIES:

Notes payable	100,000.00	
Accounts payable	149,532.50	
Payables to associated companies	13,904.73	
Customer's deposits	10,263.38	
Taxes accrued	20,974.54	
Interest accrued	15,199.88	
Other current and accrued liabilities	13,221.29	323,096.32

DEFERRED CREDITS:

Customer's advances for construction	4,621.58	
Other deferred credits	808.78	5,430.36

RESERVES:

Reserve for depreciation of electric plant	253,676.48	
Reserve for depreciation and amortization of other property	268,535.49	
Reserve for uncollectible accounts	4,792.72	
Other reserves	2,095.93	529,100.62

CONTRIBUTIONS IN AID OF CONSTRUCTION:

10,427.25

SURPLUS:

Capital surplus	144,448.62	
Earned surplus	70,213.75	214,662.37

Total liabilities and other credits		<u>\$3,040,321.66</u>
-------------------------------------	--	-----------------------

Applicant's long term debt of \$734,604.74 consists of the following items:-

Southern Oregon Gas Company 7% note secured by a first mortgage	\$ 5,104.74
California Utilities Company 6% notes secured by a first mortgage	88,000.00
Republic Electric Power Company 5% notes secured by a first mortgage	10,000.00
First mortgage Needles Gas and Electric Company 7% bonds	156,500.00
First and refunding mortgage California-Pacific Utilities Company 5% bonds	<u>475,000.00</u>
Total	<u>\$734,604.74</u>

Of the \$100,000 notes payable, \$25,000 is due Bank of America National Trust and Savings Association and \$75,000 is due Niagara Share Corporation. Applicant is further indebted to Niagara Share Corporation in the amount of \$60,000, which is represented by accounts payable.

All of the said \$475,000 of bonds, all of applicant's preferred stock and 320 shares of applicant's common stock are owned by Niagara Share Corporation.

The income statement filed in this proceeding as Exhibit B shows that for the ten months ending October 31, 1939, applicant's gross income, that is, the amount available for fixed charges and surplus was \$112,357.93. During the same period its fixed charges were \$43,403.37.

The testimony shows that applicant expended during the period January 1, 1938, to December 31, 1938, for additions and betterments to its properties, the sum of \$356,670.47, (exclusive of organization expenses amounting to \$13,630.85) but including certain expenditures made prior to January 1, 1938, in connection with the transmission line of applicant between Boulder Dam, Nevada, and Needles, California, and other uncompleted construction in process on January 1, 1938. During said period retirements amounted to the total sum of \$21,000.91, leaving net capital additions and betterments of \$335,669.56.

The cost of the above mentioned additions and betterments was financed by funds from applicant's treasury and from advances to applicant from Niagara Share Corporation in the sum of \$110,000 and a loan made to applicant by Bank of America National Trust and Savings Association in the amount of \$25,000.

Applicant asks permission to issue to the Bank of America National Trust and Savings Association its \$50,000 note payable on or before December 24, 1941. The note will bear interest at the rate of

5% per annum, payable monthly. Under the terms of the note the principal is payable as follows:-

\$2,000 on the 24th day of January, 1940 and \$2,000 on the 24th day of each and every month thereafter to and including December 24, 1940; \$2,166.66 on the 24th day of January, 1941, and \$2,166.66 on the 24th day of each and every month thereafter to and including November 24, 1941; \$2,166.74 on the 24th day of December, 1941, on which date the entire balance of principal and interest then unpaid shall become due and payable.

The payment of the note will be secured by the deposit of \$100,000 of applicant's first and refunding mortgage 5% bonds. The agreement of November 28, 1939, between applicant and said Bank provides, among other things, that as payments are made on the principal of the note, applicant may withdraw said collateral security at the rate of \$2,000 par value of said bonds for each \$1,000 paid on the principal of the note. While the revised pledge agreement filed on December 22, 1939, is general in its terms, the order herein will provide, as contemplated by said agreement of November 28, 1939, that said \$100,000 of bonds be deposited to secure the payment of only said \$50,000 note and the interest thereon, and that upon the payment of said note, all of said bonds, or so many as may upon the final payment on the note be pledged as collateral, be returned to applicant. Except in the event of a default by applicant in the payment of the said \$50,000 note and the interest thereon to said Bank under the said agreement of November 28, 1939, between applicant and said Bank, as amended by the said revised pledge agreement, none of the bonds so pledged and held as collateral by said Bank shall be sold by said Bank without securing first the authorization of the Commission.

Applicant will use \$25,000 of the proceeds obtained from the issue of said note to pay the note now held by the Bank of America National Trust and Savings Association and \$25,000 of said proceeds to reimburse its treasury because of income expended for additions and betterments.

Applicant also asks permission to issue and deliver to the Niagara Share Corporation, \$60,000 of its first and refunding mortgage bonds to refund an open book indebtedness owing by applicant to Niagara Share Corporation. The \$60,000 was used by applicant to pay for additions and betterments.

ORDER

A public hearing having been held in the above entitled application, the Commission having considered the testimony presented at such hearing, and it being of the opinion that the money, property or labor to be procured or paid for by applicant through the issue of the \$160,000 of first and refunding mortgage bonds, Series A 5%, due 1958, and through the issue of the \$50,000 note herein authorized, is reasonably required by applicant for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. California-Pacific Utilities Company may, after the effective date hereof and prior to March 1, 1940, issue to the Bank of America National Trust and Savings Association, its promissory note in the principal sum of \$50,000, bearing interest at the rate of 5% per annum, payable monthly, said note to be payable within a maximum period of two years from date in twenty-four consecutive monthly installments, as set forth in the foregoing opinion, and use the proceeds obtained through the issue of said note to pay a promissory note of \$25,000 held by the Bank of America National Trust and Savings Association, and to reimburse its treasury in part because of income expended for

additions and betterments.

2. California-Pacific Utilities Company may, after the effective date hereof and prior to March 1, 1940, issue \$160,000 of its first and refunding bonds, Series A 5%, due 1958, and use \$100,000 of said bonds to secure the payment of the said \$50,000 note herein authorized to be issued, and deliver at par, \$60,000 of said bonds to the Niagara Share Corporation to refund \$60,000 of open book indebtedness owing by applicant to said Niagara Share Corporation; provided that said \$100,000 of bonds be deposited with said Bank of America National Trust and Savings Association for the purpose of securing the payment of only said \$50,000 note and the interest thereon and other obligations of applicant in the event of a default by applicant in the payment of said note and interest thereon; and provided further that, except as herein otherwise provided, said bonds be deposited and said note issued pursuant to the terms and conditions of the agreement of November 28, 1939 between applicant and said Bank and filed in this proceeding; and provided further that, if said Bank releases any of said bonds, they be returned to applicant's treasury and held in applicant's treasury until their sale is authorized by the Commission; and provided further, that unless there shall be a default by applicant in its obligation to said Bank in the payment of said note of \$50,000 or any installment of the principal of said note and interest thereon, said Bank shall not sell or otherwise dispose of said bonds, except to release them to applicant, without specific authorization from the Commission.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Sixty(\$160.00) Dollars.

4. California-Pacific Utilities Company shall file with the Railroad Commission monthly reports in compliance with the Commis-

sion's General Order No. 24-A, which order insofar as applicable, is made a part of this order.

5. California-Pacific Utilities Company shall file with the Railroad Commission within thirty (30) days after the issue of said note and the execution of said collateral pledge agreement, a copy of said note and a copy of said collateral pledge agreement.

DATED at San Francisco, California, this 9th day of January, 1940.

Ray C. Riley
Frank D. Miller
Robert C. ...
H. ...
Justus J. Coe
Commissioners

\$ 160.00
RAILROAD COMMISSION
STATE OF CALIFORNIA
JAN 10 1940
By: [Signature]
SECRETARY