

Decision No. 39414

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 (a) to issue and sell \$1,670,000 First Mortgage Bonds, Series B, _____%, due 1971, and 33,610 shares of its Common Stock, at public bidding, and (b) to execute the Second Supplemental Indenture supplemental to its First Mortgage Indenture dated July 1, 1944.

Application
No. 27552

ORIGINAL

FIRST SUPPLEMENTAL OPINION

The Railroad Commission by Decision No. 39091 dated June 18, 1946, authorized California-Pacific Utilities Company to assume the payment of \$1,800,000 principal amount of first mortgage bonds, 3½% Series, due 1970, of Eastern Oregon Light and Power Company. The bonds are redeemable upon the payment of the principal amount thereof, a premium of 3½%, and the accrued interest. Of said bonds, \$1,759,000 were outstanding on June 30, 1946.

Applicant's supplemental petition, filed on September 6th, shows that it acquired the properties of Eastern Oregon Light and Power Company on June 30, 1946, at a net cost of \$2,237,203.61. The properties are situated in Grant, Baker, and Union Counties, in Oregon. The transfer of the properties has been authorized by the Public Utilities Commissioner of Oregon, and by the Federal Power Commission.

Applicant's petition further shows that from July 1, 1944, to July 31, 1946, it expended \$251,841 for additions and betterments and the acquisition of properties, which amount has not been financed through the issue of bonds or stocks. It further shows proposed construction expenditures estimated at \$407,500. (1)

To redeem the \$1,759,000 of Eastern Oregon Light and Power Company's 3½% bonds and finance the acquisition of that company's properties and its construction expenditures, and, in part, applicant's construction expenditures subsequent to July 1, 1944, applicant asks permission to issue and sell \$1,670,000 of first mortgage bonds, Series B, _____%, due August 1, 1971, and 33,610 shares of its common stock, having a par value of \$20.00 per share. It proposes to sell both the bonds and stock at competitive bidding. The bidders will specify in their bids the nominal interest rate on the bonds. Assuming that applicant will receive par for its bonds, and \$30.00 a share for its stock, it will realize \$2,678,300, which it proposes to expend for the

(1) The cost of the principal items of construction expenditures during the ensuing eighteen months is reported as follows:

(1) Four 30,000 gal. propane storage tanks to be installed in 1946 in Oregon	\$ 40,000
(2) Three 10,000 cu.ft. gasairs in Ore. to be installed in 1946	7,500
(3) Tie-mains in Roseburg and other main extensions to be installed in 1946	10,000
(4) Malad substation to be installed in 1947	30,000
(5) Seneca substation to be installed in 1947	30,000
(6) Four 30,000 gal. propane tanks to be installed in 1947	40,000
(7) 60 miles 69 K.V. tie line between Van, Seneca and Burns in Oregon, to be constructed in 1947	200,000
(8) Substation at Burns to be installed in 1947	30,000
(9) Tie-mains at Medford, Roseburg and Grants Pass, to be installed in 1947	20,000
Total	<u>\$ 407,500</u>

following purposes:

Series B Bonds

Acquisition of Eastern Oregon properties (approximately 60%)	\$1,340,000	
Net unfunded additions and betterments and property acquisitions since July 1, 1944	140,000	
Against cash deposited with the Trustee to be withdrawn to pay in part for future additions and betterments	<u>190,000</u>	
Total Series B Bonds		\$1,670,000

New Common Shares

Acquisition of Eastern Oregon properties. 29,900 shares at assumed price of \$30	897,000	
Net unfunded betterments and acquisitions since July 1, 1944. 3,710 shares at assumed price of \$30	<u>111,300</u>	
Total Common Shares: 33,610		<u>1,008,300</u>
Total consideration to be received on assumptions above		\$2,678,300

To effect the redemption of the \$1,759,000 of Eastern Oregon Light and Power Company bonds, applicant must pay a premium of \$61,565. It will charge such premium to its earned surplus. The accrued interest on the bonds, as well as the duplicate interest paid will be charged to accrued interest.

The Series B bonds will be issued under and pursuant to applicant's first mortgage indenture dated July 1, 1944 as amended by the first supplemental indenture and as it will be amended by the second supplemental indenture, a copy of which is on:

file in this proceeding. The second supplemental indenture creates the Series B bonds and contains amendments to the first mortgage indenture so as to qualify it under the trust indenture act of 1939. It also specifically subjects to the lien of the mortgage properties acquired after July 1, 1944. We find the second supplemental indenture in satisfactory form.

As stated, applicant proposes to sell the \$1,670,000 of bonds and the 33,610 shares of stock at competitive bidding. It is therefore not at this time in a position to advise the Commission of the price at which it will issue and sell said bonds and stock. The order herein will authorize applicant to issue and sell said bonds and said shares of stock subject to the condition that such authority will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, and subject to the further condition that such authority will not become effective until the Commission, by supplemental order, has fixed the price at which applicant may sell said bonds and said stock.

FIRST SUPPLEMENTAL ORDER

The Commission having considered applicant's request, and being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the issue of the bonds and the stock herein authorized is reasonably required by applicant for the purposes herein stated, that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, that this application should be granted

subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. The California-Pacific Utilities Company may, after the effective date hereof, and on or before December 31, 1946, issue and sell at the prices fixed by a supplemental order, or orders, \$1,670,000 of its first mortgage bonds, Series B, due August 1, 1971, and 33,610 shares of its common capital stock, for the purpose of financing the acquisition of the properties of the Eastern Oregon Light and Power Company, and the construction of properties subsequent to July 1, 1944, to which reference is made in the foregoing opinion.

2. California-Pacific Utilities Company may execute and deliver a second supplemental indenture in, or substantially in, the same form as the second supplemental indenture filed in this application.

3. The authority herein granted to issue said bonds and said stock will become effective when the Railroad Commission has entered a supplemental order fixing the price at which California-Pacific Utilities Company may sell said bonds and said stock, and when the California-Pacific Utilities Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Thousand, Three Hundred, Thirty-five (\$1,335.00) dollars.

4. The California-Pacific Utilities Company shall file with the Railroad Commission within thirty (30) days after the issue and sale of said bonds and said stock, a complete copy of its registration statement filed with the Securities and Exchange Com-

mission, including all exhibits referred to therein covering the issue of said bonds and said stock; also two (2) copies of the second supplemental indenture executed under the authority herein granted.

5. The California-Pacific Utilities Company shall file with the Railroad Commission a report, or reports, required by the Commission's General Order No. 24-A, which order insofar as applicable, is made a part of this order.

6. The California-Pacific Utilities Company shall, on or before April 30, 1947, file with the Railroad Commission a statement showing in detail the expenses incurred because of the issue and sale of said bonds and said stock, and the segregation of said expenses to said bonds and said stock:

Dated at San Francisco, California, this 17th day of September, 1946.

Harold P. Huls

Francis D. ...

W. H. ...

R. Z. ...

Commissioners

