

ORIGINAL

Decision No. 40726

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|--------------------------------------|---|-------------|
| In the Matter of the Application of |) | |
| CALIFORNIA-PACIFIC UTILITIES COMPANY |) | |
| for an order authorizing it to issue |) | Application |
| and sell 45,000 shares of its 5% |) | No. 28708 |
| Cumulative Preferred Stock. |) | |
| ----- |) | |

Orrick, Dahlquist, Neff, Brown & Herrington,
by T. W. Dahlquist, for applicant.

O P I N I O N

California-Pacific Utilities Company asks permission to issue and sell, at \$19.45 per share, 45,000 shares (par value \$20 per share) of its 5% cumulative preferred stock and use the proceeds to pay outstanding notes and pay the cost of extensions and improvements to its properties.

California-Pacific Utilities Company, hereinafter sometimes referred to as Applicant, is a corporation organized and existing under the laws of California. It is engaged as a public utility in the electric, butane-propane-air gas, water and telephone business in various parts of California, in the electric and gas business in Oregon, the electric and water business in Nevada, and in the electric business in Idaho and Wyoming. It is also engaged in the nonutility sale of butane-propane-air gas in

Oregon, Washington and Arizona. For the year 1946 and for the seven months from January 1 to July 31, 1947, Applicant's operating revenues amounted to \$2,214,521.24 and \$1,734,138.34, segregated as follows:

| | Year 1946 | 7 Months Ended July 31, 1947 |
|--------------------------|-----------------------|---------------------------------|
| Electric | \$1,347,958.94 | \$1,125,767.06 |
| Gas | 564,790.69 | 445,074.26 |
| Water | 200,185.78 | 108,035.56 |
| Telephone | 26,146.86 | 15,663.50 |
| Gas Wholesale | 75,438.97 | 39,597.96 |
| | <u>\$2,214,521.24</u> | <u>\$1,734,138.34</u> |
| Total Operating Revenues | <u>\$2,214,521.24</u> | <u>\$1,734,138.34</u> |

As of August 1, 1947, Applicant reports assets and liabilities as follows:

Assets and Other Debits

| | | |
|---------------------------------------|---------------------|-----------------------|
| Utility Plant in Service | | \$8,523,329.80 |
| Electric plant | \$5,401,939.45 | |
| Gas plant | 1,681,328.34 | |
| Water plant | 1,084,441.12 | |
| Other utility plant | 129,176.00 | |
| Adjustment to reflect original cost | <u>(158,700.99)</u> | |
| Construction work in progress | <u>385,145.88</u> | |
| Other Physical Property | | 107,417.82 |
| Current and Accrued Assets | | 950,406.78 |
| Cash | \$ 186,241.84 | |
| Special deposits | 875.00 | |
| Working funds | 4,350.00 | |
| Accounts receivable | 284,871.67 | |
| Materials and supplies | 433,615.37 | |
| Prepayments | 24,121.40 | |
| Other current and accrued assets | <u>16,331.50</u> | |
| Deferred Debits | | 89,556.30 |
| Unamortized debt discount and expense | \$ 17,711.83 | |
| Extraordinary property losses | 55,019.21 | |
| Clearing accounts | 2,619.17 | |
| Retirement work in progress | <u>(4,034.23)</u> | |
| Other work in progress | <u>18,240.32</u> | |
| Total Assets and Other Debits | | <u>\$9,670,710.69</u> |

(Red figure)

Liabilities and Other Credits

| | | |
|--|---------------------|------------------------------|
| Capital Stock | | \$2,290,861.25 |
| Common stock | \$1,550,000.00 | |
| Premium on common stock | 205,861.25 | |
| Preferred stock | <u>535,000.00</u> | |
| Long-Term Debt | | 3,500,000.00 |
| First Mortgage Bonds, Series A, 3½%, due July 1, 1969 | \$1,830,000.00 | |
| First Mortgage Bonds, Series B, 3½%, due August 1, 1971 | <u>1,670,000.00</u> | |
| Current and Accrued Liabilities | | 1,000,840.02 |
| Notes payable | \$ 500,000.00 | |
| Accounts payable | 159,479.92 | |
| Dividends declared | 279.29 | |
| Customers' deposits | 38,631.48 | |
| Taxes accrued | 282,683.07 | |
| Accrued interest | 7,013.37 | |
| Other current and accrued liabilities | <u>12,752.89</u> | |
| Deferred Credits | | 75,524.31 |
| Unamortized premium on debt | \$ 25,418.39 | |
| Customers' advances for construction | 20,400.15 | |
| Other deferred credits | <u>29,705.77</u> | |
| Reserves | | 2,021,882.71 |
| Reserve for depreciation | \$2,013,963.31 | |
| Reserve for uncollectible accounts | <u>7,919.40</u> | |
| Contributions in Aid of Construction | | 62,438.05 |
| Surplus | | <u>719,164.35</u> |
| Total Liabilities and Other Credits | | <u><u>\$9,670,710.69</u></u> |

Assuming that the 45,000 shares of preferred stock had been outstanding on August 1, 1947, Applicant's capital ratios would have been as follows:

| | |
|---|-------|
| Bonds | 47.2% |
| Preferred stock | 19.4% |
| Common stock, premium and surplus | 33.4% |

Applicant in its 1947 budget estimated its expenditures for the improvement and extension of its properties at \$1,026,800. The testimony shows that to August 31, 1947, Applicant expended for such purposes \$655,155.24. The principal items

making up the \$1,026,800 are as follows:

| | |
|---|--------------------|
| Installation of eight 30,000-gallon propane storage tanks | \$ 30,000 |
| Tie-in gas mains to increase capacity in Medford, Roseburg, Grants Pass and Ashland, Oregon | 50,000 |
| Tanks and other equipment to serve tank gas consumers in Southern Oregon | 100,000 |
| Meters, services and small main extensions for new consumers in Southern Oregon | 69,000 |
| Additional gas plant capacity in Southern Oregon | 16,000 |
| 69 kv. tie-line with Idaho Power Company from Van to Seneca and 2,000 kva. substation at Seneca | 147,000 |
| Twenty-two kv. line from Seneca to John Day | 80,000 |
| Extensions to serve new rural consumers in Eastern Oregon | 150,000 |
| Meters, services and short line extensions for new customers in Eastern Oregon | 150,000 |
| New regulator at Susanville substation | 6,000 |
| Extensions for new consumers in Lassen Division | 25,000 |
| New standby unit at Winnemucca | 25,000 |
| Extensions for new consumers in Malad District | 30,000 |
| Extensions for new consumers in Winnemucca and Needles | 50,000 |
| Miscellaneous construction expenditures | <u>48,800</u> |
| Total | <u>\$1,026,800</u> |

To finance temporarily in part its 1947 construction expenditures, Applicant made arrangements to borrow \$750,000 from the Bank of America National Trust and Savings Association. To date it has borrowed from the Bank \$700,000 on 90-day 2½% unsecured notes. Applicant will use the proceeds from the sale of its preferred stock to pay the notes issued to the Bank and use the remainder to pay in part the cost of the improvements and extensions to its properties.

The testimony shows that Applicant's president discussed the issue and sale of preferred stock with representatives of several investment banking firms with the view of selling the same at private sale. They advised him that the stock could not

be sold privately unless Applicant agreed to provide a sinking fund equal in amount to from three to five percent of the par value of the preferred stock sold. Such a condition Applicant's president feels is too great a burden for Applicant to assume.

Subject to the approval of the Commission and certain other conditions precedent, Applicant has negotiated with a group of underwriters headed by First California Company for the sale of the 45,000 shares of preferred stock at a price to Applicant of \$19.45 per share plus accrued dividends, with the understanding that the underwriters will offer said shares to the public at a price of \$20.50 per share, plus accrued dividends. It is Applicant's intention to transfer, in accordance with the provisions of Section 300(b) of the Civil Code, from surplus to stated capital an amount equal to the discount on the new preferred stock. It is also Applicant's intention to charge to earned surplus the expenses, estimated at \$16,382.25, incident to the issue of the preferred stock.

The testimony shows that Applicant has need for the monies which it will realize through the issue and sale of the 45,000 shares of preferred stock.

O R D E R

The Commission having considered the evidence submitted at the hearing had on the above entitled application and it being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of 45,000 shares of 5% cumulative preferred stock is reasonably required by California-

Pacific Utilities Company for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. California-Pacific Utilities Company may, after the date hereof and on or before November 30, 1947, issue and sell, at not less than \$19.45 per share plus accrued dividends, 45,000 shares of its 5% cumulative preferred stock. It shall use the proceeds to pay notes issued to the Bank of America National Trust and Savings Association and to pay in part the cost of extensions and improvements to its properties referred to in the foregoing opinion.

2. California-Pacific Utilities Company shall file with the Public Utilities Commission, on or before December 31, 1947, a report or reports showing:

- (a) the number of shares of stock issued and sold under the authority herein granted,
- (b) the names of the parties to whom said shares of stock were sold,
- (c) the consideration received for said shares of stock, and
- (d) the purposes for which such consideration was expended.

3. Within thirty (30) days after the issue and sale of said 45,000 shares of preferred stock, California-Pacific Utilities Company shall file with the Commission a complete copy of the registration statement filed with the Securities and Exchange Commission, except the exhibits referred to therein which have

been heretofore filed with the Public Utilities Commission.

4. California-Pacific Utilities Company shall file with the Public Utilities Commission, on or before February 1, 1948, a statement showing in detail the expenses incurred by it in connection with the issue and sale of said 45,000 shares of preferred stock.

Dated at San Francisco, California, this 23rd day of September, 1947.

Harold A. Hula
Justus F. Callison
Joseph H. ...
A. J. ...
Samuel H. Potter
Commissioners