

ORIGINAL

Decision No. 42648

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)	
and sell (a) 50,000 shares of its	:	Application
5½% Cumulative Convertible Preferred)	No. 30127
Stock, and (b) an indeterminate number	:	
of its Common Shares issuable upon)	
conversion of such Preferred Shares.	:	
-----)	

O P I N I O N

In this application, California-Pacific Utilities Company, hereinafter sometimes referred to as Applicant, asks permission to issue and sell, at \$18.60 per share plus accrued dividends from March 15, 1949, to the date of delivery and payment, 50,000 shares of its 5-1/2% cumulative convertible preferred stock, \$20 par value, and from time to time issue common shares of its stock, \$20 par value, as shall be required to be issued upon conversion of all or any part of said shares of convertible preferred stock, in accordance with the conversion rights applicable thereto. Applicant seeks permission to use the preferred stock proceeds to pay its expenses exclusive of discount, estimated at \$14,505, incident to the issue of said shares of preferred stock, to reimburse its treasury because of unreimbursed capital expenditures, and to pay in part the cost of acquiring and constructing properties.

Applicant is a corporation organized under the laws of the State 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, the electric and gas business in Oregon, the electric and water business in Nevada, and in the electric business in Idaho and Wyoming. For convenience, the operations of Applicant are divided into eight divisions. The following table shows the names of the divisions, the estimated population in the respective divisions, and the operating revenue in each division:

<u>Divisions</u>	<u>Population</u>	<u>Operating Revenues</u>	<u>Percent of Total</u>
Benicia	7,550	\$ 91,376.14	2.5%
Lassen	13,855	409,736.30	11.2
Needles	5,405	307,292.62	8.4
Southern Oregon	98,842	821,927.15	22.5
Weaverville	1,576	49,474.86	1.4
Western States	8,528	338,610.25	9.2
Shasta	8,903	116,527.86	3.2
Eastern Oregon	41,143	1,456,683.50	39.8
Gas Wholesale	-	65,683.72	1.8
Total	<u>185,802</u>	<u>\$3,657,312.40</u>	<u>100.0%</u>

The Western States Division includes the separate electric systems in Malad City, Idaho; Cokeville, Wyoming; and the electric and water systems in Winnemucca, Nevada.

For 1948, Applicant reports operating revenues of \$3,657,312.40, segregated as follows:

<u>Department</u>	<u>Amount</u>	<u>Per Cent</u>
Electric	\$2,312,024	63.22
Gas	1,068,338	29.21
Water	183,892	5.03
Telephone	27,375	.75
Gas Wholesale	65,683	1.79
Total	<u>\$3,657,312</u>	<u>100.00</u>

In addition, Applicant had tank gas gross sales of \$324,545.80 during 1948.

For 1948 its operating expenses, including taxes and depreciation, amounted to \$3,221,106. Its net operating income is reported at \$436,206, and its other income at \$89,105, making a gross income of \$525,311. Its interest and other deductions from gross income amounted to \$133,100, leaving for 1948 a net income of \$392,211. During the year Applicant paid dividends on its preferred stock in the amount of \$71,751, and on its common stock \$186,000.

As of December 31, 1948, Applicant reports its assets and liabilities as follows:

Assets and Other Debits

Utility plant		\$10,178,307.15
Electric plant	\$6,504,841.14	
Gas plant	2,210,719.23	
Water plant	1,252,632.15	
Other utility plant	<u>210,114.63</u>	
Other physical property		428,197.67
Current and accrued assets		1,149,548.27
Cash	167,886.40	
Special deposits	1,275.00	
Accounts receivable	462,480.09	
Materials and supplies	416,877.07	
Prepayments	77,969.21	
Other current and accrued assets	<u>23,060.50</u>	
Deferred debits		44,176.14
Unamortized debt discount and expense	16,666.33	
Extraordinary property losses	<u>27,509.81</u>	
Total assets and other debits		<u>\$11,800,229.23</u>

Liabilities and Other Credits

Capital stock		\$ 3,190,861.25
Preferred stock 5% cumulative preferred-71,750 shares	\$1,435,000.00	
Common stock-77,500 shares	1,550,000.00	
Premium on common stock	<u>205,861.25</u>	
First Mortgage Bonds		4,250,000.00
Series "A", 3 $\frac{1}{2}$ % due July 1, 1969	1,830,000.00	
Series "B", 3 $\frac{1}{2}$ % due Aug. 1, 1971	1,670,000.00	
Series "C", 3 $\frac{1}{2}$ % due July 1, 1978	<u>750,000.00</u>	

(Continued)

Current and accrued liabilities		\$ 946,690.35
Notes payable to bank	300,000.00	
Accounts payable	275,352.39	
Customers' deposits	45,765.72	
Accrued taxes	287,479.38	
Accrued interest	24,014.69	
Other current and accrued liabilities	<u>14,078.17</u>	
Deferred credits		73,916.40
Unamortized premium on debt	23,775.34	
Customers' advances for construction	24,332.90	
Other deferred credits	<u>25,758.16</u>	
Reserves		2,398,584.15
Reserve for depreciation - Utility plant	2,370,923.84	
Other physical property	18,302.90	
Reserve for uncollectible accounts	<u>9,357.41</u>	
Contributions in aid of construction		62,747.95
Surplus		<u>877,429.13</u>
Total liabilities and other credits		<u>\$11,800,229.23</u>

Applicant reports that during the period July 1, 1944, to December 31, 1948, it expended for the acquisition and construction of properties \$531,074.39 which it did not obtain from the issue of securities. It estimates its 1949 expenditures for the construction, extension and improvement of its public utility properties at \$1,422,500, divided as follows:

Electric plant	\$1,124,000
Water plant	71,500
Gas plant	211,000
Telephone plant	16,000

Of the aggregate amount, Applicant reports that \$720,000 will be expended for extensions and additions to serve new customers, \$230,000 for lines and equipment to effect operating savings, and the balance for replacements and added substation and line capacity to bring service to existing customers up to standard. Applicant estimates that the expenditures will produce about \$300,000 of increased gross annual revenues and \$54,000 of annual savings in operating expenses. Its expenditures for the improvement and extension of its tank gas business is reported at \$127,000, which it

believes will result in a \$120,000 increase in revenues.

The application shows that Applicant has borrowed from the Bank of America National Trust and Savings Association \$300,000 for the purpose of carrying forward its construction program. For the purpose of paying indebtedness incurred for construction purposes, to pay its expenses incident to the issuance of said shares of preferred stock, to reimburse its treasury, and to pay in part the cost of acquiring and constructing properties, Applicant asks permission to issue and sell, at \$18.60 a share plus accrued dividends from March 15, 1949, to the date of delivery and payment, said 50,000 shares of its 5-1/2% cumulative convertible preferred stock.

Upon the issuance of the shares of stock, Applicant will transfer from surplus to stated capital an amount equal to the discount on the said shares of preferred stock. It will charge its expenses in connection with the issue of the shares of stock to surplus.

The said shares of preferred stock will be convertible on or before April 1, 1959, at the option of the holder, into Applicant's common stock at an initial basis of 65/100 of one common share for each convertible preferred share. The application shows that Applicant has need for the funds which it will realize from the sale of said 50,000 shares of 5-1/2% convertible preferred stock.

O R D E R

The Commission has considered this application and is of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for by California-Pacific Utilities Company through the issue of 50,000 shares of its 5-1/2% cumulative convertible preferred stock is reasonably required by Applicant for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. California-Pacific Utilities Company may issue and sell, on or before June 30, 1949, at \$18.60 a share plus accrued dividends from March 15, 1949, to the date of delivery and payment, 50,000 shares of its 5-1/2% cumulative convertible preferred stock, such sale to be made pursuant to the terms of the underwriting agreement on file in this application.

2. California-Pacific Utilities Company shall use the proceeds obtained from the issue and sale of said 50,000 shares of 5-1/2% cumulative convertible preferred stock to pay its expenses incident to the issue of said shares of stock, to reimburse its treasury because of moneys expended for the acquisition, construction and improvement of its properties, and to pay the cost of acquiring, constructing and improving its properties, as set forth in this application, or pay indebtedness incurred for that purpose.

3. California-Pacific Utilities Company may issue from time to time such number of shares of its common stock as shall be

required to be issued upon conversion of all or any part of said cumulative convertible preferred shares, in accordance with the conversion rights applicable thereto.

4. California-Pacific Utilities Company shall file with the Commission, within six (6) months after the issue and sale of said 50,000 shares of 5-1/2% cumulative convertible preferred stock, a statement showing:

- (a) The price at which said shares of stock were sold.
- (b) The names of those to whom Applicant sold said shares of stock, and the number of shares sold to each underwriter.
- (c) The purposes for which Applicant expended or will expend the proceeds from the sale of said shares of stock.
- (d) In detail, Applicant's expenditures incident to the issue and sale of said 50,000 shares of 5-1/2% cumulative convertible preferred stock.

5. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 29th day of March, 1949.

R. Z. [Signature]
Justice F. [Signature]
[Signature]
[Signature]
Commissioners