

Decision No. 44040

**ORIGINAL**

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 9,300 Common Shares.

Application  
No. 31270

O P I N I O N

In this application, California-Pacific Utilities Company asks permission to issue and sell 9,300 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$186,000, in order to reimburse its treasury, in part, for unreimbursed capital expenditures and to finance, in part, its 1950 construction program. The company, in making its application, reports that it has negotiated with First California Company (as the sole underwriter) for the sale of the common shares at \$29.625 per share, or a total amount of \$275,512.50. It reports that the underwriter proposes to offer said shares to the public at \$32 a share.

Applicant is a corporation organized under the laws of the State of California. It is engaged as a public utility in the electric, 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 the electric business in Idaho and Wyoming. Applicant is also engaged in the non-utility sale of butane-propane gas in Oregon and Washington.

For the twelve months ended December 31, 1949, applicant reported public utility operating revenues of \$4,158,062.52, segregated as follows:

<u>Department</u>	<u>Amount</u>	<u>Percent</u>
Electric	\$2,570,252.97	62.%
Gas	1,334,697.79	32
Water	221,550.86	5
Telephone	<u>31,560.90</u>	<u>1.</u>
Total	<u>\$4,158,062.52</u>	<u>100 %</u>

For the same period, its operating expenses, including taxes and depreciation, were reported at \$3,703,515.20. Its net utility operating income was reported at \$454,547.32 and its other income at \$65,997.76, making total gross income of \$520,545.08. Its interest and other deductions from gross income amounted to \$143,518.01, leaving net income of \$377,027.07 available for dividends and surplus. During the year 1949 applicant paid dividends on its preferred stock in the amount of \$112,204.70<sup>(1)</sup>, and on its common stock \$187,126.80, being at the rate of \$2.40 a share.

Applicant's financial statement as of December 31, 1949, shows its investment in property, plant and equipment at \$12,000,306.49 with reserves for depreciation of \$2,586,346.42. Its net investment, in general, has been financed permanently through the issue and sale of first mortgage bonds and preferred stock and the use of equity capital. Its capital ratios as of December 31, 1949, and after giving effect to the proposed issue of common shares, are as follows:

	<u>Dec. 31, 1949</u>	<u>Pro Forma</u>
Long term debt	46%	44%
Preferred stock	26	25
Common stock and surplus (includes premium on common stock)	<u>28</u>	<u>31</u>
Total	<u>100%</u>	<u>100%</u>

(1)

Includes \$3,055.56 accrued dividends to date of sale of 5½% convertible preferred, paid by purchasers.

In summary form, applicant's assets and liabilities, as of December 31, 1949, are shown below:

<u>Assets</u>		
Utility plant		\$11,482,732.72
Other physical property		517,573.77
Current and accrued assets-		
Cash and deposits	\$107,412.81	
Accounts receivable	457,864.32	
Materials and supplies	410,752.01	
Prepayments	112,537.21	
Other items	25,545.00	
Total current and accrued assets		1,114,111.35
Deferred debits		35,763.31
Total		<u>\$13,150,181.15</u>

<u>Liabilities</u>		
Preferred stock		\$ 2,390,360.00
Common stock		1,578,980.00
Premium on common stock		221,465.89
Long-term debt		4,250,000.00
Current and accrued liabilities-		
Notes payable to banks	\$400,000.00	
Accounts payable	270,547.53	
Customers' deposits	48,458.42	
Accrued taxes and interest	310,381.84	
Other items	19,077.44	
Total current and accrued liabilities		1,048,465.23
Deferred credits		107,698.17
Reserve for depreciation		2,586,346.42
Other reserves		14,853.40
Contributions in aid of construction		76,334.68
Surplus		875,677.36
Total		<u>\$13,150,181.15</u>

Applicant reports that during the period July 1, 1944 to December 31, 1949, it expended for the acquisition and construction of properties the sum of \$885,888.57 which was not obtained from the issue of securities. It estimates its 1950 expenditures for the extension and improvement of its public utility properties at \$1,172,000, segregated as follows:

Electric	\$ 797,485
Gas	135,945
Water	52,205
Telephone	13,000
General office	3,000
Tank gas department	82,850
Contingent items	87,515
Total	<u>\$1,172,000</u>

Applicant reports that approximately \$297,000 will be available from internal sources to meet its construction requirements and that later in 1950 it will also engage in debt financing to provide the necessary remaining funds, over and above those to be received from the present issue of stock, to complete its 1950 program.

A review of the application clearly indicates that applicant has need for the funds to be obtained from the proposed issue of stock to improve its cash position and to finance, in part, its construction program. Applicant proposes to pay the expenses, estimated by it at \$4,000, which will be incurred in connection with the issue of such stock with treasury funds and to charge the amount to earned surplus. The Commission has no objection to this proposal.

Applicant asks the Commission, if it concludes to grant this application, to make its order in this matter effective upon its date in order to permit applicant to dispose of its stock forthwith under presently prevailing market conditions.

#### 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 and sale of 9,300 shares of its common 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, and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. California-Pacific Utilities Company, after the effective date hereof and on or before July 31, 1950, may issue and sell 9,300 shares of common stock at not less than \$29.625 a share.

2. California-Pacific Utilities Company shall use the proceeds obtained from the issue and sale of said shares of common stock to reimburse its treasury because of moneys expended from income for the acquisition, construction and improvement of its properties and to pay the cost of improving and extending its properties, as set forth in this application, or to pay indebtedness incurred for that purpose.

3. California-Pacific Utilities Company shall file with the Commission, within six (6) months after the issue and sale of the shares of stock under the authority herein granted, a report showing the proceeds received by it from the issue of such stock, the purposes for which the proceeds were used and the expenses incurred in connection with such issue.

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

Dated at San Francisco, California, this 18<sup>th</sup> day of April 1950.

R. E. Johnson  
James J. Cramer  
James H. Luce  
Harold P. Hull  
Frederick H. Lott  
Commissioners