

Decision No. 45439

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
COAST COUNTIES GAS AND ELECTRIC COMPANY,  
a corporation,

for an order authorizing applicant  
(1) to execute a third supplemental  
indenture supplementing that certain  
trust indenture dated July 1, 1941, as  
modified by supplemental indenture  
dated as of November 1, 1945, and by  
second supplemental indenture dated  
as of December 1, 1947,  
(2) to issue First Mortgage Bonds, 2-7/8%  
Series due 1981, of the face value of  
\$1,000,000, and  
(3) to sell such bonds under a sale and  
purchase agreement to be executed in con-  
nection therewith, for a consideration as  
set out therein, and to use the proceeds  
for the purposes and in the manner speci-  
fied in this application.

Application  
No. 32147

O P I N I O N

Coast Counties Gas and Electric Company has filed this application for authority to execute a supplemental trust indenture and to issue and sell \$1,000,000 of First Mortgage Bonds, 2-7/8% Series due 1981, at 98-1/2% of their principal amount plus accrued interest, pursuant to the terms of a purchase agreement, for the purpose of paying outstanding bank loans.

The application shows that heretofore applicant has executed a trust indenture dated as of July 1, 1941, and two subsequent indentures supplemental thereto, under and pursuant to the terms of which it has issued and now has outstanding first mortgage bonds of several series, as follows:

3-1/4% Series due 1971	\$3,185,000
2-3/4% Series due 1975	2,006,000
3 % Series due 1980	<u>1,830,000</u>
Total	<u>\$7,021,000</u>

It appears that applicant now desires to execute a Third Supplemental Indenture, dated as of March 1, 1951, which, among other things, will create a fourth series of bonds to be known as First Mortgage Bonds, 2-7/8% Series due 1981, and to issue and sell \$1,000,000 principal amount of said bonds to Bankers Trust Company as Trustee of Various Pension Funds, at 98-1/2% of the principal amount plus accrued interest. It reports that it has need for the proceeds to reduce unsecured bank borrowings, consisting of short-term 2-1/4% notes in favor of American Trust Company, now in the aggregate principal amount of \$1,000,000, which were issued to provide temporarily the cost of additions and betterments to its plants and properties.

In presenting this matter to the Commission, applicant has filed a financial statement showing its investment in utility plant as of December 31, 1950, at \$25,512,971.94 and its reserves for depreciation at \$6,225,147.50, the difference between the two figures being \$19,287,824.44. The statement indicates that in addition to its temporary note financing applicant has paid or provided the net cost of its investment in utility plant, and in current and other assets, primarily through the issue of bonds and preferred stock and the use of equity funds.<sup>(1)</sup> Its capital structure as of the end of 1950 as

<sup>(1)</sup> As of December 31, 1950, applicant reports the following:		
First mortgage bonds		\$ 7,021,000
Preferred stock -		
Series A, 4 %	\$3,100,000	
Series B, 4.8%	<u>1,875,000</u>	
Total preferred stock		4,975,000
Equity capital -		
Common stock	5,000,000	
Surplus	<u>1,461,730</u>	
Total equity capital		<u>6,461,730</u>
Total		<u>\$18,457,730</u>

reflected by its financial statement and its pro forma structure giving effect to the proposed issue, are indicated in the following tabulation:

	<u>Dec. 31, 1950</u>	<u>Pro Forma</u>
Bonds	38.04%	41.22%
Preferred stock	26.95	25.57
Equity capital-including common stock and surplus	<u>35.01</u>	<u>33.21</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant has reported its gross expenditures for additions to its properties at \$2,558,193.01 in 1949 and at \$3,088,434.97 in 1950. In Application No. 31614, a rate proceeding now pending before the Commission, it estimates its capital expenditures for 1950 at \$3,578,500. It clearly appears that applicant has had, and now has, a need for additional funds from outside sources to enable it to proceed with its construction program and that the issue of bonds at this time, rather than some other form of security, is desirable and is warranted.

Accordingly, an order will be entered granting applicant's request in this proceeding. The issue of the \$1,000,000 principal amount of bonds is exempt from the requirements of the Commission's competitive bidding rule.

### O R D E R

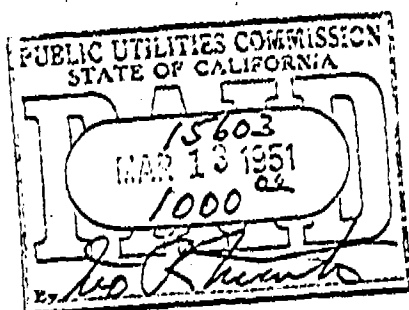
The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the bonds herein authorized is reasonably required by applicant for the purpose specified herein; and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable

to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company, after the effective date hereof and on or before July 31, 1951, may execute a Third Supplemental Indenture in substantially the same form as that filed in this proceeding as Exhibit C, and may issue and sell \$1,000,000 of First Mortgage Bonds, 2-7/8% Series due 1981, at not less than 98-1/2% of their principal amount plus accrued interest, in accordance with the terms of the sale and purchase agreement filed as Exhibit D, which agreement applicant may execute.
2. Coast Counties Gas and Electric Company shall apply the proceeds to be received from the issue and sale of the bonds herein authorized, other than accrued interest, to reduce its outstanding bank loans. The accrued interest may be used for general corporate purposes.
3. Coast Counties Gas and Electric Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
4. The authority herein granted will become effective when Coast Counties Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one thousand (\$1,000.00) dollars.

Dated at San Francisco, California, this 13<sup>th</sup> day of March, 1951.



B. J. Dwyer  
Justice J. Calver  
Harold P. Kule  
Benjamin P. Potter  
John C. Mitchell  
Commissioners