

ORIGINAL

Decision No. 46405

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 Fourth 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, and by Third Supplemental)
Indenture dated as of March 1, 1951;)

(2) to issue First Mortgage Bonds, 3-1/2%)
Series, due 1981, of the face value of)
\$3,000,000; and)

(3) to sell such bonds at private sale under a)
sale and purchase agreement to be executed in)
connection therewith, and to use the proceeds)
for the purposes and in the manner specified in)
this application.)
-----)

Application
No. 32814

W. E. Johns, for applicant.

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, exempt from competitive bidding, \$3,000,000 of First Mortgage Bonds, 3-1/2% Series, due 1981.

The record shows that heretofore applicant has executed a trust indenture dated July 1, 1941, and three indentures supplemental thereto, that it has issued and has outstanding \$8,897,000 of bonds in four series, and that it now desires to execute a Fourth Supplemental Indenture defining the terms of a new series of bonds to be dated as of November 1, 1951, to bear interest at the rate of 3-1/2% per annum, to mature November 1, 1981, and to be redeemable, other

than for sinking and renewal funds or in connection with municipal acquisitions, at 103.50% during the first year and at reducing premiums thereafter.

Applicant's financial position as of August 31, 1951, is shown in its balance sheet filed as Exhibit A in this proceeding, as follows:

Assets

Fixed assets		\$29,188,369.40
Other investments and funds		1,853,606.87
Current assets -		
Cash and deposits	\$ 802,209.64	
Accounts receivable	1,311,039.26	
Materials and supplies	733,220.79	
Prepaid expenses	<u>49,558.90</u>	
Total current assets		2,896,028.59
Deferred debits		<u>46,253.46</u>
Total		<u>\$33,984,258.32</u>

Liabilities

Long-term debt		\$ 8,897,000.00
Current liabilities -		
Notes payable	\$1,000,000.00	
Accounts payable	1,445,605.99	
Consumers' deposits	31,996.50	
Accrued liabilities	<u>1,053,913.72</u>	
Total current liabilities		3,531,516.21
Deferred credits		337,107.99
Reserves		7,011,236.87
Contributions in aid of construction		204,889.66
Preferred stock		4,975,000.00
Common stock		7,712,000.00
Surplus		<u>1,315,507.59</u>
Total		<u>\$33,984,258.32</u>

Since the date of the balance sheet the company has increased its bank borrowings to \$1,700,000.

Applicant now desires to issue and sell \$3,000,000 of its new series of bonds. It reports that it has need for the proceeds to pay bank loans, to reimburse its treasury for expenditures heretofore made, and to provide funds for expenditures to be made during

the remainder of 1951 and the early part of 1952 for additions and betterments to its property, plant and equipment. It shows its estimated capital expenditures for 1951 in the total amount of \$4,506,400, with \$3,951,896.69 having been expended up to August 31, 1951, and its estimated capital expenditures for 1952 at \$3,327,500. The total estimated expenditures for the two years are segregated to departments as follows:

	<u>1951</u>	<u>1952</u>
Gas	\$2,418,500	\$1,600,500
Electric	1,637,000	1,651,000
Water	114,900	23,000
Common	<u>336,000</u>	<u>53,000</u>
Totals	<u>\$4,506,400</u>	<u>\$3,327,500</u>

The 1951 expenditures do not include the pipeline facilities which were acquired in July through the issue of common stock.

If authorized by the Commission, applicant proposes to sell the \$3,000,000 of bonds, by a direct placement, to The Mutual Life Insurance Company of New York, John Hancock Mutual Life Insurance Company and Bankers Trust Company as Trustee of Various Pension Funds, at their principal amount plus accrued interest to the date of delivery. In connection with its proposal, its vice president and treasurer stated that in his opinion a better price can be obtained through a private sale of this nature than if invitations were published for competitive bids and at a lower cost to the company, due, among other things, to the relatively small size of applicant and the proposed issue and to the present market conditions so far as bonds of utilities such as applicant are concerned. He presented testimony showing the terms under which other utilities had sold bonds during this year and, upon the basis of the information disclosed, concluded that applicant's proposed bond issue could not be

offered successfully at competitive bidding on a basis to yield less than 3.50% after deducting expenses incident to the sale. He testified that with a sale such as is now proposed by applicant the necessary expenses would aggregate approximately \$14,000, as compared with estimated costs of \$45,000 should a public offering be made.

A review of this matter indicates that applicant has arranged to sell its bonds under favorable terms. There is nothing in the record to show that it could obtain a better price under different selling arrangements and, in our opinion, an order should be entered granting its requests. The authority here granted is based upon the record in this particular proceeding, considering presently prevailing market conditions, and should not be construed as an indication of the action the Commission might take on any subsequent application by this or any other utility for exemption from competitive bidding.

O R D E R

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue by Coast Counties Gas and Electric Company of \$3,000,000 of First Mortgage Bonds, 3-1/2% Series, due 1981, hereby

is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

2. Coast Counties Gas and Electric Company, after the effective date hereof and on or before December 31, 1951, may issue and sell said \$3,000,000 of bonds, at not less than the principal amount, plus accrued interest, for the purposes set forth in this application.

3. Coast Counties Gas and Electric Company shall file with the Commission monthly 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 to issue and sell bonds will become effective when Coast Counties Gas and Electric Company has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is two thousand (\$2,000.00) dollars, and when the Commission, by supplemental order, has authorized applicant to execute a Fourth Supplemental Indenture. In other respects, this order is effective upon the date hereof.

Dated at San Francisco, California, this 13th day of November, 1951.

R. F. Anderson
President
Harold H. Hulse
Francis H. Potter
John F. McLaughlin
Commissioners

