

ORIGINAL

Decision No. 47164

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 Applicant to)
issue and sell \$2,000,000 principal)
amount of its 4-1/4% Debentures due)
April 1, 1972.)
-----)

Application
No. 33323

Orrick, Dahlquist, Neff, and Herrington, by
Thomas W. Dahlquist, for applicant.

O P I N I O N

California-Pacific Utilities Company, applicant herein, is a California corporation engaged in business as a public utility in California, Oregon, Nevada, Idaho and Wyoming. (1) In this application it seeks an order exempting from competitive bidding a proposed issue of \$2,000,000 in principal amount of 4-1/4% debentures due April 1, 1972, and authorizing it to sell said debentures at a price of 100% of their par value plus accrued interest.

Applicant reports that it has need for the proceeds from the sale of its debentures to pay outstanding bank loans now in the principal amount of \$1,200,000 and a \$100,000 short-term note issued in connection with the acquisition of its telephone plant at Colusa, and to use the remaining proceeds to meet in part the cost of its 1952 construction program. It has reported its estimated construction

(1) Its California properties, which account for approximately 30% of its operating revenues, include water systems in and about Benicia and Susanville, electric systems in and about Weaverville, Westwood, Susanville and Needles, gas systems in and about Dunsmuir, Yreka and Needles, and telephone systems in and about Westwood, Colusa and Needles.

expenditures for 1952 in the total amount of \$2,242,915 for all its plants and properties, including \$675,965 for California as follows:

Electric	\$320,405
Gas	78,000
Water	118,350
Telephone	<u>159,210</u>
Total	<u>\$675,965</u>

It appears that the estimated expenditures are designed to meet the demands of new customers for service. Those for the telephone plants include equipment, cable and other facilities intended to fill all held orders and to serve new subscribers.

In financial reports filed with the Commission, applicant shows that since the close of the war its investment in its properties and its volume of business have increased substantially. During the last five years applicant's utility plant account increased from \$7,285,662.97 to \$14,203,033.21 at the close of 1951, its operating revenues from \$3,072,117.07 in 1947 to \$4,521,714.45 in 1951, and its net profit from \$411,962.84 to \$471,952.12 during the same period. Applicant's statements show that it has met its construction requirements in part through the issue and sale of bonds and shares of preferred and common stock, its capital structure at present including \$5,225,000 of 3-1/4 and 3-1/2% bonds, \$1,683,200 of 5% preferred stock and \$2,224,950 of common stock.

The testimony indicates that applicant at this time does not have sufficient bonding capacity, under the terms of its trust indenture, to permit the sale of \$2,000,000 of bonds and that for this and other reasons it has concluded it is in its best interest to meet its requirements at this time through the issue of the debentures covered by this application. Its capital ratios as of the present

time and adjusted to give effect to the proposed issue, are as follows:

	<u>Present Ratios</u>	<u>Pro Forma Ratios</u>
Bonds	48.76%	41.30%
Debentures	-	15.30
Preferred stock	15.10	12.79
Common stock equity	<u>36.14</u>	<u>30.61</u>
Totals	<u>100.00%</u>	<u>100.00%</u>

It appears that the issue of debentures as here proposed will improve the bond position in applicant's capital structure and will provide a margin of plant expenditures upon which applicant can base future issues of bonds in the event it finds it desirable or necessary to issue them.

Applicant seeks to dispose of its debentures by means of a negotiated sale to The Mutual Life Insurance Company of New York and Occidental Life Insurance Company of California, each prospective purchaser to take \$1,000,000 in principal amount of the new securities. A witness called on behalf of applicant testified that substantial savings in expenses would be realized through a private placement and that on the basis of his investigation a better price could be obtained by such a sale. He presented evidence showing that the proposed price and interest rate are in line with those prevailing in recent sales of securities by other utilities said to be comparable in some respects with applicant. Upon the basis of the information submitted in this proceeding, we believe we are warranted in making an order granting applicant's request for exemption.

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

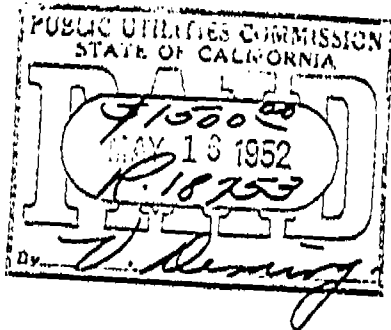
of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the debentures herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, 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 California-Pacific Utilities Company of \$2,000,000 in principal amount of 4-1/4% debentures hereby is exempted from the requirements of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.
2. California-Pacific Utilities Company, after the effective date hereof and on or before August 31, 1952, may issue and sell said \$2,000,000 of debentures at the price of 100% of the principal amount thereof plus accrued interest, for the purposes set forth in this application, upon the terms and conditions set forth in the debenture purchase agreement filed herein. The accrued interest may be used for general corporate purposes.
3. California-Pacific Utilities Company shall file with the Commission a report showing the amount of debentures sold under the authority herein granted, the names of the purchasers, the date of the sale, and the price at which the sale was made, such filing to be made within thirty (30) days after delivery of the debentures.
4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the

Public Utilities Code, which fee is one thousand five hundred (\$1,500.00) dollars.

Dated at San Francisco, California, this 16th day of May, 1952.



R. I. [Signature]
President

Justice F. Casper

Harold P. Kule

[Signature]

Commissioners