

ORIGINAL

Decision No. 48018

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 Fifth 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, and by)
 Fourth Supplemental Indenture dated as of)
 November 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. 33862

W. E. Johns, for Applicant.

OPINION

In this proceeding Coast Counties Gas and Electric Company seeks an order of the Commission authorizing it to execute a supplemental indenture and to issue \$3,000,000 in principal amount of its First Mortgage Bonds, 3-1/2% Series, due 1981. It requests authorization to sell the bonds by means of a private placement at 99% of their face value, plus accrued interest to the date of delivery, to Bankers Trust Company as Trustee for Various Pension Funds and to General Electric Pension Trust.

The purpose of the proposed financing is to provide applicant with funds to pay outstanding bank loans in the present amount of \$1,500,000, to reimburse its treasury for expenditures heretofore

made and to provide funds for expenditures to be made during the remainder of 1952 and during 1953 for additions and betterments to its property, plant and equipment. The application shows that construction expenditures during 1952 are estimated in the aggregate amount of \$3,616,000 and during 1953 in the amount of \$3,236,000. Applicant estimates that \$748,500 of proceeds from the sale of the present issue of bonds will be available for its 1953 capital expenditures and that \$965,000 will be obtained from earnings during the year, leaving a balance of estimated expenditures during 1953 of \$1,522,500 to be obtained from 1953 financing, the exact nature of which has not been determined.

It appears that it has been applicant's practice to finance its capital needs temporarily through the issue of short-term loans and from time to time to refinance the same with permanent securities. Its capital structure as of September 30, 1952, and after giving effect to the proposed issue of bonds is as follows:

	September 30 1952	Per Cent	After Proposed Financing	Per Cent
First Mortgage Bonds				
3-1/4% Series due 1971	\$ 3,115,000		\$ 3,115,000	
2-3/4% Series due 1975	1,940,000		1,940,000	
3% Series due 1980	1,774,000		1,774,000	
2-7/8% Series due 1981	1,940,000		1,940,000	
3-1/2% Series due 1981	2,955,000		5,955,000	
Total Bonds	<u>\$11,724,000</u>	45.01	<u>\$14,724,000</u>	50.69
Preferred Stock				
Series A 4%	\$ 3,100,000		\$ 3,100,000	
Series B 4.80%	1,875,000		1,875,000	
Total Preferred Stock	<u>\$ 4,975,000</u>	19.10	<u>\$ 4,975,000</u>	17.13
Common Stock Equity				
Common stock	\$ 7,712,000	29.61	\$ 7,712,000	26.55
Surplus	1,634,599	6.28	1,634,599	5.63
Total Common Stock Equity	<u>\$ 9,346,599</u>	<u>35.89</u>	<u>\$ 9,346,599</u>	<u>32.18</u>
Total	<u>\$26,045,599</u>	<u>100.00</u>	<u>\$29,045,599</u>	<u>100.00</u>

Applicant is of the opinion that a private sale such as is here proposed will result in the best price obtainable for its bonds and that therefore the issue should be exempted from the Commission's

competitive bidding requirements. It makes its request for exemption because of the relatively small size of its operations and the amount of the proposed issue, the savings in expenses and underwriters' commissions, and its ability under a direct placement to negotiate with respect to the terms of the bonds and the trust indenture. It presented oral and documentary evidence showing the results of sales by other utilities at competitive bidding, the expenses attendant upon registration of competitively placed issues and underwriting spreads. In Exhibit G it sets forth the costs of all issues of mortgage bonds of other utilities sold at competitive bidding during the months of September and October, 1952, compared with corresponding figures for its proposed issue, as follows:

	<u>Amount</u>	<u>Cost to Company</u>	<u>Estimated Expenses</u>	<u>Underwriters' Spread</u>
Tennessee Gas Transmission	\$40,000,000	5.81%	\$166,000	\$338,800
Arkansas Power & Light	15,000,000	3.49	100,000	108,000
Pacific Power & Light	7,500,000	3.67	65,000	30,750
Appalachian Elec. Power	17,000,000	3.42	102,655	115,770
Cent. Ill. Public Service	5,000,000	3.44	30,000	19,500
Washington Water Power	30,000,000	3.43	150,000	195,300
Associated Telephone	10,000,000	3.63	30,000	42,000
The Cal. Oregon Power	7,000,000	3.56	51,000	43,400
Utah Power & Light	10,000,000	3.49	55,000	60,000
Carolina Power & Light	20,000,000	3.46	100,000	122,400
Coast Counties Gas and Electric	3,000,000	3.55	12,500	-

A review of the evidence indicates that applicant's capital ratios warrant the issue of bonds at this time, that applicant will have need for the funds to be obtained from the issue of its bonds, that the proposed issue will improve its financial position, and that, under the circumstances disclosed, exemption from competitive bidding should be granted. Accordingly, an order will be entered granting the application.

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 bonds 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. Coast Counties Gas and Electric Company, on and after the effective date hereof and on or before February 28, 1953, may execute a Fifth Supplemental Indenture, in substantially the same form as that filed in this proceeding as Exhibit 4, and may issue and sell, at not less than 99% of their face value plus accrued interest, not exceeding \$3,000,000 in principal amount of its First Mortgage Bonds, 3-1/2% Series, due 1981. The issue and sale of said bonds is exempted from the requirements of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

2. Coast Counties Gas and Electric Company shall use the proceeds to be obtained from the issue and sale of said bonds, exclusive of accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

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 will become effective when Coast Counties Gas and Electric Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is two thousand (\$2,000.00) dollars.

Dated at San Francisco, California, this 9th day of December, 1952.

R. J. [Signature]
President
Justice F. [Signature]
Harold P. [Signature]
[Signature]
[Signature]
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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DEC 9 - 1952
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By M. [Signature]