

ORIGINAL

Decision No. 51488

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA-PACIFIC UTILITIES COMPANY,)
 a corporation, for an order authorizing)
 it to issue and sell (a) 12,500 5%)
 Cumulative Convertible Preferred Shares,)
 \$20 par value, and (b) an indeterminable)
 number of its Common Shares, \$10 par)
 value, issuable upon conversion of such)
 Preferred Shares.)
 -----)

Application
No. 36925

O P I N I O N

In this application California-Pacific Utilities Company seeks authorization to issue 12,500 shares of its 5% cumulative convertible preferred stock, of the par value of \$20 each and of the aggregate par value of \$250,000, and to sell said shares to The Mutual Life Insurance Company of New York at a price of \$20 each plus accrued dividends. In addition, it seeks authorization to issue such shares of its common stock as may be required upon conversion of all or any part of said shares of preferred stock.

Recently, under authorization granted by Decision No. 51264, dated March 29, 1955, and Decision No. 51275, dated April 4, 1955, applicant issued 50,000 shares of its 5% cumulative convertible preferred stock and sold them to First California Company pursuant to arrangements providing for an agreed price to applicant of \$18.95 a share and a resale price to the public of \$20 a share plus accrued dividends. It appears that such transaction was completed and that applicant now has the opportunity to dispose of 12,500 more shares

by a private placement at the same price at which the public offering of the initial issue originally was made.

The new shares will have the same rights, privileges and restrictions as the initial shares. They will be entitled to dividends at the rate of 5% per annum, cumulative from March 15, 1955, and will be convertible at any time on or before April 1, 1965, at an initial conversion basis of two-thirds of one common share for each share of preferred stock, subject to adjustment from time to time in the event of certain happenings in order to prevent dilution of the conversion rights. The preferred shares will be redeemable at a price of \$21 each on or before April 1, 1960, and thereafter and on or before April 1, 1965, at a price of \$20.75, and thereafter at a price of \$20.50 plus, in each case, all accrued and unpaid dividends to the redemption date.

The purpose of the additional financing is to provide applicant with funds to reimburse its treasury and to finance in part its construction program. According to information filed in this proceeding it estimates that during 1955 it will spend \$2,564,063 for construction and expansion of its facilities, segregated to departments as follows:

Electric	\$1,247,239
Gas	408,437
Water	183,610
Telephone	560,243
Common property	112,870
Nonutility property	<u>51,664</u>
Total	<u>\$2,564,063</u>

The application shows that applicant will pay a finder's fee of \$5,000 to First California Company in connection with the proposed financing and that such fee, together with all other

expenses in connection with the issue and sale of the additional shares of preferred stock, will be paid from applicant's treasury and will be charged to earned surplus. We have no objection to this proposed accounting treatment.

A review of the proceeding clearly shows that applicant will have need for additional funds to enable it to proceed with its construction program. If preferred stock moneys now are available from the insurance company we are of the opinion that applicant should avail itself of the opportunity to obtain them. In our opinion the money, property or labor to be procured or paid for by the issue and sale of the shares of stock herein authorized is reasonably required by applicant for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

An order will be entered granting the application.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. California-Pacific Utilities Company may issue and sell, as fully paid, 12,500 shares of its 5% cumulative convertible preferred stock to The Mutual Life Insurance Company of New York at a price of \$20 a share, plus accrued dividends thereon from March 15, 1955, to the date of delivery, for the purpose of reimbursing its

treasury and financing the cost of its construction program.

2. California-Pacific Utilities Company from time to time may issue, as fully paid, such number of its common shares as shall be required to be issued upon conversion of all or any part of said 5% cumulative convertible preferred shares, in accordance with the conversion rights pertaining to said shares.

3. Within 60 days after the issue and sale of said shares of 5% cumulative convertible preferred stock, applicant shall file with the Commission a statement showing the date of such issue and sale, the name of the purchaser, and the total amount received. Within six months after the date of issue and sale, applicant shall file a statement showing in some detail the expenses incident thereto and the account, or accounts, to which such expenses were charged.

4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 27th day of May, 1955.

John E. ...
President

Justus J. ...
Rachel ...

...

Commissioners