

Decision No. 52859

ORIGINAL

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 it (a) to issue and sell \$1,500,000 principal amount of its First Mortgage Bonds, Series F, 3-5/8%, due April 1, 1986 and (b) to execute a Seventh Supplemental Indenture to be dated as of April 1, 1956, supplemental to its First Mortgage Indenture dated as of July 1, 1944.

Application
No. 37885

OPINION

In this application California-Pacific Utilities Company seeks authorization to execute a Seventh Supplemental Indenture and to issue and sell \$1,500,000 in principal amount of its First Mortgage Bonds, Series F, 3-5/8%, due April 1, 1986, for the purpose of paying costs and expenses in connection with such bonds, paying short-term loans, and defraying a portion of its construction program.

Applicant is a California corporation engaged in operating public utility electric, gas, water and telephone systems in various parts of California and Nevada, electric, gas and telephone systems in Oregon, and electric systems in Idaho and Wyoming, and in conducting non-utility operations in the distribution of butane-propane gas in California and Oregon. It has reported operating revenues from its utility operations at \$6,625,822 during 1954 and at \$7,272,357 during 1955, with net income of \$637,201 during the first

of these two years and of \$690,137 during the second. For the first two months of 1956 it has reported operating revenues of \$1,411,848 and net income of \$148,015. Its assets and liabilities as of February 29, 1956, are reported as follows:

Assets

Utility plant -		
Total amount	\$20,909,367	
Reserves for depreciation	<u>4,537,971</u>	
Net utility plant		\$16,371,396
Other physical property - net		689,214
Current assets -		
Cash	\$ 1,771,600	
Accounts receivable	676,228	
Materials and supplies	547,322	
Prepayments	205,918	
Other current assets	<u>5,477</u>	
Total current assets		3,206,545
Deferred charges		<u>69,742</u>
Total		<u>\$20,336,897</u>

Liabilities

Long-term debt -		
Bonds	\$ 7,225,000	
Debentures	<u>1,600,000</u>	
Total long-term debt		\$ 8,825,000
Current liabilities -		
Notes payable to banks	900,000	
Other current liabilities	<u>1,686,629</u>	
Total current liabilities		2,586,629
Deferred credits		292,966
Other reserves		11,469
Contributions in aid of construction		105,163
Preferred stock		3,338,260
Common stock equity -		
Common stock	2,518,440	
Surplus items	<u>2,658,970</u>	
Total common stock equity		<u>5,177,410</u>
Total		<u>\$20,336,897</u>

The application shows that in carrying on its construction program applicant has become indebted to Bank of America National Trust and Savings Association in the amount of \$900,000 represented by short-term notes, and that such indebtedness may increase prior to the issuance and sale of the Series F bonds. Moreover, applicant

reports expenditures of \$2,318,341 for net additions and betterments to its properties and purchase of new systems as of February 29, 1956, which have not been funded or capitalized by the issuance of securities.

In order to obtain funds to reimburse its treasury for the unfunded net additions and betterments, to repay the short-term notes, and to carry on its construction program, applicant proposes to issue and sell \$1,500,000 principal amount of its bonds. Its capital ratios as of February 29, 1956, and as adjusted to give effect to the proposed new financing, are as follows:

	<u>Feb. 29, 1956</u>	<u>Pro Forma</u>
Bonds	42%	46%
Debentures	<u>9</u>	<u>9</u>
Total long-term debt	51	55
Preferred stock	19	18
Common stock equity	<u>30</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>

Subject to receiving authorization from the Commission, applicant proposes to sell \$750,000 of the bonds covered by this application to Provident Mutual Life Insurance Company of Philadelphia and \$750,000 principal amount to Modern Woodmen of America, at their face value plus accrued interest. A review of the application indicates that applicant will have need for funds from the sale of permanent securities to enable it to discharge its short-term notes and to carry on its construction program and that an order is warranted approving the sale under the proposed terms.

The approval herein indicated is for the issue and sale of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue and sale 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. California-Pacific Utilities Company, on and after the effective date hereof and on or before July 31, 1956, may execute a Seventh Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit C, and may issue and sell \$1,500,000 principal amount of its First Mortgage Bonds, Series F, 3-5/8%, due April 1, 1986, at a price of 100% of the principal amount thereof, plus accrued interest, for the purposes set forth in this application. The accrued interest from the sale of the bonds may be used for such purposes or for general corporate purposes.

2. Within 60 days after the issue and sale of the bonds herein authorized, applicant shall file with the Commission a statement showing the date of such issue and sale, the total amount received and the purposes for which the proceeds were used. Within six months after the date of issue and sale, applicant shall file a statement showing in some detail the expenses incident to the issue

and sale and the account, or accounts, to which such expenses were charged.

3. The authority herein granted will become effective when California-Pacific Utilities Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,250.

Dated at San Francisco, California, this 10th day of April, 1956.

John E. DeWitt
President

Justin D. Coover
Raymond W. Winter
B. Hardy

Commissioners

