

ORIGINAL

Decision No. 56871

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 \$2,500,000 principal
amount of its 4-7/8% Convertible
Debentures due June 1, 1983.

Application No. 40165

O P I N I O N

In this application the Commission is asked to make its
order authorizing California-Pacific Utilities Company -

1. To issue and sell \$2,500,000 principal amount of 4-7/8% Convertible Debentures due June 1, 1983 at a price of 100% of the principal amount, plus accrued interest.
2. To execute and deliver to First Western Bank and Trust Company, as trustee, an indenture dated as of June 1, 1958, pursuant to which said debentures will be issued and sold.
3. To issue warrants for the purchase of common shares, and
4. To issue, from time to time, such number of common shares as shall be required upon conversion of said debentures and upon exercise of any of said warrants.

Applicant is a California corporation engaged in operating public utility electric, gas, water and telephone systems in various parts of California, in operating electric, gas and telephone systems in Oregon, in operating electric, gas, water and telephone systems in Nevada, and in operating electric systems in Idaho and Wyoming. It reports its investments as of March 31, 1958 and its sources of funds, as follows:

Assets

Utility plant	\$24,361,480	
Less reserves	<u>5,308,243</u>	
Net utility plant		\$19,053,237
Other investments		982,770
Current assets		2,053,658
Deferred debits		<u>143,816</u>
Total		<u>\$22,233,481</u>

Liabilities and Capital

Long-term debt		\$10,025,000
Current liabilities -		
Notes payable	\$ 1,150,000	
Sinking fund payment	100,000	
Other current liabilities	<u>1,514,383</u>	
Total current liabilities		2,764,383
Deferred credits		604,719
Preferred stock		3,014,580
Common stock and surplus		<u>5,824,799</u>
Total		<u>\$22,233,481</u>

Applicant reports that as of April 30, 1958, its construction expenditures, for which it has not been reimbursed through the issue of securities, amounted to \$5,682,621. The foregoing balance sheet shows that applicant temporarily has financed its costs, in part, with depreciation moneys, retained earnings and short-term borrowings. In addition, it appears that applicant is engaged in a construction and expansion program which will call for the expenditure of \$2,140,000 during 1958.

Applicant now proposes to engage in permanent financing. It has made arrangements to sell \$2,500,000 of convertible debentures to five institutional buyers. The debentures will be issued under and pursuant to the terms of an indenture to be dated as of June 1, 1958 between applicant and the First Western Bank and Trust Company, as trustee. They will be dated as of June 1, 1958, will be due

June 1, 1983, will bear interest at the rate of 4-7/8% per annum, and will be redeemable on and after June 1, 1963, to and including May 31, 1965, at 104-7/8%; thereafter, to and including May 31, 1967, at 104-1/2%; thereafter, to and including May 31, 1969, at 104-1/8%; thereafter, to and including May 31, 1971, at 103-3/4%; thereafter, to and including May 31, 1973, at 103-3/8%; thereafter, to and including May 31, 1975, at 103%; thereafter, to and including May 31, 1977, at 102-5/8%; thereafter, to and including May 31, 1979, at 102-1/4%; thereafter, to and including May 31, 1981, at 101-5/8%; and thereafter, to and including May 31, 1983, at 101%; together in every case, with accrued interest thereon to the date fixed for redemption.

The debentures will be convertible into common shares of applicant during the ten-year period commencing October 1, 1958 and ending September 30, 1968, unless called for previous redemption, at an initial conversion price of \$33 per common share of applicant's stock. In the event that applicant elects to exercise its option under the indenture to redeem all or any part of the debentures at any time on or after June 1, 1963 and prior to September 30, 1968, and the debenture holders elect to accept the redemption price, but do not wish to convert the debentures into common shares at that time, applicant will issue warrants to each holder of the debentures which have been called for redemption and so redeemed, such warrants to be dated as of the redemption date and to provide for the purchase of common shares of applicant up to September 30, 1968, at the initial conversion price of \$33 per share.^{1/}

^{1/} Applicant's outstanding common shares have been quoted recently over-the-counter at \$29 bid.

Applicant asserts that it is in need of funds from permanent financing to liquidate its outstanding short-term borrowings, to reimburse its treasury and thereby improve its cash position, and to enable it to proceed with its construction program. Presently, applicant is engaged in acquiring, through merger proceedings, the properties of Southern Utah Power Company and it reports that earnings for the 12 months ended April 30, 1958, as adjusted to reflect the merger and the issuance of debentures, would be 2.41 times interest requirements after federal income taxes and 3.53 times such requirements before income taxes.

Upon a review of the verified application, it appears to us that an order is warranted granting applicant's requests. In view of the fact that the proposed warrants provide for the purchase of common stock at the same price as the debenture holders could convert their holdings, we will approve the issue of warrants in this particular proceeding.

The authorization herein granted is for the issuance 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 nor as a precedent that in the future we will approve the issuance of warrants for future purchases of stock.

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 of the debentures and stock herein authorized is reasonably required 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. California-Pacific Utilities Company, on and after the effective date hereof and on or before December 31, 1958, may execute and deliver to First Western Bank and Trust Company, as trustee, an indenture dated as of June 1, 1958, and may issue and sell not exceeding \$2,500,000 principal amount of 4-7/8% Convertible Debentures at a price of 100% of the principal amount thereof, plus accrued interest from the date thereof to the date of payment and delivery, under the terms and for the purposes set forth in this application.

2. California-Pacific Utilities Company, in the event it elects to redeem all or any part of said debentures prior to September 30, 1968 and the holders of said debentures elect to accept the redemption price, may issue warrants for the purchase of common shares at any time between the date of such warrants and September 30, 1968, under the terms and conditions set forth in this application.

3. California-Pacific Utilities Company, from time to time, may issue such number of its common shares as shall be required upon conversion of any of its convertible debentures or upon the exercise of said warrants.

4. California-Pacific Utilities Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. 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 \$1,750.

Dated at San Francisco, California, this 24th day of June, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

