

ORIGINAL

Decision No. 59833

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 to issue
and sell 40,000 Common shares, par
value \$5 per share.

Application No. 42017

O P I N I O N

On March 8, 1960, California-Pacific Utilities Company filed the above-entitled application for authorization to issue and sell 40,000 shares of its common stock of the par value of \$5 each.

The company proposes to use the proceeds received from the sale of its shares to reimburse its treasury and to finance, in part, the cost of its 1960 construction program. It reports that it expects to expend \$3,722,540 during 1960 for additions to its plants and properties; that it will provide a portion of the cost through the proposed stock offering; and that it will finance the remainder initially with funds arising from internal sources and bank borrowings, the latter to be refunded late in 1960 or early in 1961 by the issue of bonds.

Subject to receiving the required regulatory authorization, the company proposes to sell the 40,000 shares of its common stock by means of a negotiated underwriting at a price to be fixed shortly before the offering. However, it is

contemplated that such price will be not less than \$20, nor more than \$21.50 a share and that the underwriting discount will be approximately 5-1/2 per cent, leaving the net price between \$18.90 and \$20.40 a share, and the company requests the Commission, if it approves the issue, to permit the sale within that range. The shares of stock, as stated, have a par value of \$5 each. Giving effect to a stock split which became effective on January 15, 1960, dividends have been paid at the rate of 75 cents a share during 1955 and 1956; 80 cents a share during 1957 and 1958; and 82-1/2 cents a share during 1959. A quarterly cash dividend of 22-1/2 cents a share has been declared during the first quarter of 1960.^{1/}

In recent years, the company has carried on a substantial construction and expansion program. It has been its practice, in general, to meet its capital requirements with short-term borrowings and retained earnings and, thereafter, to refinance with permanent securities in the form of bonds and other evidences of indebtedness and shares of preferred and common stock. Its capital ratios, as of December 31, 1959, are as follows:

First mortgage bonds	\$11,158,000	43%
Debentures	3,700,000	14
Preferred stock	2,692,200	10
Common stock and surplus	<u>8,576,817</u>	<u>33</u>
Total	<u>\$26,127,017</u>	<u>100%</u>

^{1/} The company's common shares are not listed. However, they have been quoted recently on the over-the-counter market at \$19 bid, \$20.50 asked.

A review of the application shows that applicant will have need for additional funds in order to proceed with its construction activities. Accordingly, we are of the opinion, and so find, that the money, property or labor to be procured or paid for by the issue of the 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.

The authorization herein granted is for the issue 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.

ORDER

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, on or after the effective date hereof and on or before September 30, 1960, may issue and sell not to exceed 40,000 shares of its common stock at a price to be determined within the range set forth in the preceding opinion.

2. California-Pacific Utilities Company shall use the proceeds to be received from the sale and issue of its common stock for the purposes set forth in this application.

3. Within 60 days after the sale of the common stock under the authorization herein granted, California-Pacific Utilities Company shall file a report with the Commission showing the date, or dates, on which it sold its shares, the price and the total amount received, together with three copies of its prospectus.

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

Dated at San Francisco, California, this 29th day of March, 1960.

Ernest R. Page
President
Ed. E. Marshall
W. H. D. [unclear]
E. J. [unclear]
Theodore Deener
Commissioners