

Decision No. 60700

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of CALNEV PIPE LINE COMPANY, a Delaware corporation, for exemption from the provisions of Sections 816 to 830, inclusive, and of Sections 851 and 852 of the Public Utilities Code, or in the alternative, for authority to issue stock and notes and to execute and deliver a trust deed and chattel mortgage to secure said notes.

Application No. 42532

Edward C. Renwick, for applicant.

O P I N I O N

Calnev Pipe Line Company, applicant herein, is a Delaware corporation which was organized on or about August 6, 1959, for the purpose of operating a petroleum products pipeline system, in interstate and intrastate commerce, extending for a distance of approximately 230 miles from Colton, California, to Las Vegas, Nevada, via Barstow. In this application, which was filed on August 1, 1960, it seeks an order exempting it from the provisions of Sections 851 and 852 of the Public Utilities Code with respect to the execution of a deed of trust and mortgage of chattels and the issue of stock and notes to finance its capital costs, or, in the alternative, granting it authority to execute the indenture and to issue the securities.

The application shows that heretofore the company, in order to finance preliminary costs, has issued 1,000 shares of stock, of the par value of \$1 each, for a total consideration of \$1,000, the issue having been consummated outside the State of California, and \$10,424.85 of short-term notes, and that it now proposes to issue and sell \$999,000 of common stock and \$8,700,000 of long-term notes in order to refinance its temporary borrowings and to provide construction costs and working capital, all in the estimated amount of \$9,700,000. The application further shows that all the notes and \$700,000 of the stock will be issued to and held by Union Pacific Railroad Company and that the remaining \$300,000 of the stock will be issued to William Brothers Company, a construction company not otherwise affiliated with the railroad company. The notes will be secured by a deed of trust and mortgage of chattels covering the pipeline facilities, will bear interest at the rate of 6-1/8 per cent per annum and will be payable in 26 successive equal semiannual installments commencing March 1, 1963.

A public hearing on the application was held before Examiner Coleman in Los Angeles on August 25, 1960, at which time the matter was taken under submission with no protests having been received. From a review of the record now before us, it appears -

1. That applicant has not yet engaged in the pipeline business but that, upon completion of the construction of its facilities, it intends to operate as a common carrier in intrastate commerce in California, as well as in interstate commerce between points in California and in Nevada, and to file appropriate tariffs with the Interstate Commerce Commission and the California Public Utilities Commission, and

2. That applicant has arranged to publish joint rates with Southern Pacific Pipe Lines, Inc., from Los Angeles Basin refineries served by that company to destinations on applicant's proposed pipeline, and

3. That applicant proposes to transfer a substantial volume of jet fuel which will move to George Air Force Base near Barstow and Nellis Air Force Base near Las Vegas, under contract, and also to offer its services to the public, including refiners in the Los Angeles Basin area, at published tariff rates, for the transportation of the refined petroleum products to be designated in its tariffs, and

4. That the commercial traffic moving at published tariff rates will include diesel fuel which Union Pacific Railroad Company proposes to ship from the Los Angeles area to Las Vegas for use in the operation of its railroad locomotives, and

5. That applicant's net revenues, on the basis of its estimated volume of traffic and operating costs, should suffice to service the proposed notes and produce a return on the equity capital.

We have considered the evidence and we find and conclude that we have jurisdiction over the execution of the proposed indenture and the issue of the securities; that we should not enter an order exempting the proposed financing transactions from the applicable provisions of the Public Utilities Code but that, on the record before us, we should authorize and approve such transactions; and that the issue of the notes, under the

circumstances surrounding this issue, should be exempted from the Commission's competitive bidding rule. We will enter our order in accordance with these findings.

The authorization herein given shall not be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

A public hearing having been held in the above-entitled matter and the Commission 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 stock and notes 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: -

1. That Calnev Pipe Line Company, on or after the effective date, or dates, hereof, and on or before August 31, 1961, may execute a deed of trust, mortgage of chattels and assignment of rents in, or substantially in, the same form as the indenture filed in this proceeding as Exhibit No. 4, and may issue not to exceed \$999,000 par value of its common stock and \$8,700,000 of its 6-1/8% First Mortgage Promissory Notes upon the terms and in the manner and for the purposes referred to in this application.

2. That the issue of said \$8,700,000 of notes hereby is exempted from the provisions of the Commission's competitive bidding rule.

3. That \$700,000 of the stock and the \$8,700,000 of notes herein authorized may be issued to and held by Union Pacific Railroad Company.

4. That Calnev Pipe Line 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 to issue notes will become effective when Calnev Pipe Line Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$4,850. In all other respects, the authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 6th day of SEPTEMBER, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Theodore H. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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