

Decision No. 61838

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 \$2,000,000 principal amount of its First Mortgage Bonds, Series I, 5%, due May 1, 1991, and (b) to execute a Tenth Supplemental Indenture to be dated as of May 1, 1961, supplemental to its First Mortgage Indenture dated as of July 1, 1944.

Application No. 43253
Filed March 22, 1961

O P I N I O N

California-Pacific Utilities Company has filed this application for authorization to execute a supplemental indenture and to issue and sell \$2,000,000 of bonds.

The bonds will constitute a new series and will be designated as First Mortgage Bonds, Series I, 5%, due May 1, 1991. They will be callable at the option of the company initially at a premium of 5% during the 12-months' periods ending April 30 of each of the years 1962 to 1966, inclusive, and thereafter at annually reducing premiums, provided, however, that said bonds of Series I may not be redeemed during the period May 1, 1961 through April 30, 1966, with cash obtained from the sale of additional debt securities

or from bank borrowings. Applicant plans to sell the \$2,000,000 of bonds to John Hancock Mutual Life Insurance Company and Pacific Mutual Life Insurance Company. It reports in this connection that it had endeavored to dispose of its bonds at their face value plus accrued interest with an interest yield of not more than $4\frac{7}{8}\%$ per annum, but was unsuccessful in selling them under those terms.

The purpose of the proposed financing is to provide applicant with funds to reimburse its treasury, to repay outstanding short-term indebtedness and to finance, in part, 1961 construction expenditures. The company reports that its unreimbursed expenditures, as of February 28, 1961, amounted to \$9,873,944; that as of February 28, 1961, it had outstanding short-term loans in the amount of \$1,500,000; and that, during 1961, it expects to spend approximately \$3,600,000 for additions and betterments to its properties.

A condensed statement of applicant's resources, liabilities and net worth as of February 28, 1961, prepared from its financial statements submitted to the Commission, is as follows:

<u>Assets</u>		
Utility plant		\$35,914,918
Miscellaneous investments		599,754
Current assets		2,884,125
Deferred debits		<u>193,641</u>
Total		<u>\$39,592,438</u>
<u>Liabilities and Net Worth</u>		
Long-term debt		\$13,258,000
Current liabilities		3,438,249
Deferred credits		526,426
Contributions and advances for construction		701,436
Reserve for depreciation		7,642,795
Preferred stock		2,363,600
Common stock equity -		
Common stock	\$ 4,279,160	
Premium on stock	3,749,501	
Surplus	<u>3,633,271</u>	<u>11,661,932</u>
Total		<u>\$39,592,438</u>

The company's capital ratios as of the end of 1960, and as adjusted to give effect to the proposed new financing, are as follows:

	<u>Dec. 31, 1960</u>	<u>Pro Forma</u>
Long-term debt	49.05%	51.74%
Preferred stock	8.80	8.11
Common stock equity capital	<u>42.15</u>	<u>40.15</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The company reports that, based on its recorded earnings for the calendar year 1960 and assuming that all the bonds proposed to be sold had been outstanding throughout the year, it would have earned interest on its long-term debt 3.14 times after federal income taxes and 4.99 times before federal income taxes.

We have reviewed this application and applicant's financial statements and we find and conclude, (1) that applicant has invested in its assets funds which are represented by retained earnings and depreciation reserves in excess of the proposed reimbursement; (2) that applicant has need for additional funds from external sources to reimburse its treasury, to pay short-term indebtedness and to finance, in part, its proposed construction expenditures; and (3) that the terms of the proposed bond issue are not adverse to the public interest and that applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision and that the ensuing lower financial requirements will inure to the benefit of the consumers.

On the basis of these findings and conclusions, we will enter an order granting the application. The approval thus given is for the issue of bonds 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 money, property or labor to be procured or paid for by the issue of the bonds herein authorized is

reasonably required 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 ORDERED -

1. That California-Pacific Utilities Company, on or after the effective date hereof and on or before September 30, 1961, may execute and deliver its Tenth Supplemental Indenture in, or substantially in, the same form as the proposed indenture filed in this proceeding and may issue and sell not to exceed \$2,000,000 principal amount of First Mortgage Bonds, Series I, 5%, due May 1, 1991, at not less than their face value, plus accrued interest, and use the proceeds in the manner and for the purposes set forth in this application.

2. That 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.

3. That 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 \$1,500.

Dated at San Francisco, California,
this 18th day of April, 1961.

Charles W. Boye
President

George H. Grover

Commissioners

