

ORIGINAL

Decision No. 65715

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 PACIFIC POWER & LIGHT COMPANY)
)
 for authority to issue \$30,000,000)
 in principal amount of First)
 Mortgage Bonds and 100,000 shares)
 of Serial Preferred Stock)

Application No. 45537
Filed June 19, 1963

O P I N I O N

In this application, Pacific Power & Light Company seeks an order authorizing it to issue and sell, at competitive bidding, \$30,000,000 in principal amount of first mortgage bonds and 100,000 shares of preferred stock of the par value of \$100 each, the bids to specify the interest and dividend rates.

Applicant proposes to apply the net proceeds from the sale of the new preferred shares toward the redemption, at 106.625% of par value, of 90,000 shares of 6.16% preferred stock presently outstanding, and to use the net proceeds from the new bonds to discharge \$17,996,000 of outstanding notes which were issued to finance the retirement of bonds and to retire approximately \$13,000,000 of additional notes which, it is estimated, will be outstanding when the new bond money becomes available, to meet, in part, 1963 construction expenditures.

The application shows that the company's construction budget for 1963 aggregates \$57,200,000 of which approximately \$12,500,000 had been expended up to April 30, 1963. The proposed expenditures are summarized as follows:

Electric power production facilities:	
Installation of 200,000-kw unit at Dave Johnston steam plant at Glenrock, Wyoming	\$18,500,000
Other facilities	1,386,000
Electric transmission facilities:	
230-kv line -- Klamath Falls, Oregon, south into California to interconnect with system of Pacific Gas and Electric Company (Keno, Oregon to Stephens Butte, California)	2,000,000
230-kv line -- Walla Walla, Washington to Wanapum Dam	1,500,000
230-kv line -- Rock Springs, Wyoming to Flaming Gorge Project	1,732,000
230-kv line -- Thermopolis, Wyoming to Muddy Ridge, Wyoming	700,000
230-kv line -- Frannie, Wyoming to Oregon Basin by way of Garland Dome	1,800,000
115-kv line -- Lebanon, Oregon to Sweet Home, Oregon	300,000
115-kv line -- Completion from Coquille, Oregon to Norway, Oregon	29,000
115-kv line -- Completion from Selah, Wash. to Tieton, Washington	18,000
Other facilities	4,912,000
Electric distribution facilities	16,444,000
Additions to steam heating, water and telephone utility systems	1,909,000
Other plant facilities, surveys and investigations	<u>5,970,000</u>
Total	<u>\$57,200,000</u>

The company's operations have been increasing. The application shows that its revenues increased from \$74,665,000 in 1958 to \$102,270,000 for the twelve months ended April 30, 1963 and its total customers from 369,063 to 398,676 during the same period, and that, in order to make provision for the additional facilities and energy required to meet the growth in

its area, it has been the practice of the company, generally, to borrow money under credit agreements and subsequently to refinance with permanent capital. Currently the company has a revolving line of credit in the aggregate amount of \$45,000,000.

The company's financial statements show that its interest coverage after income taxes and depreciation has been about three times its bond interest charges, that, as of April 30, 1963, its current assets amounted to \$25,427,232 and its current liabilities to \$51,160,765, including, however, the notes which are to be paid, and that its capital structure included the following:

First mortgage bonds	\$285,146,000	52%
Debentures	5,433,000	1
Serial notes	4,500,000	1
Notes payable to bank	30,996,000	5
Preferred stock	46,236,000	9
Common stock and surplus	<u>172,003,000</u>	<u>32</u>
Total	<u>\$544,314,000</u>	<u>100%</u>

From a review of the application it appears that the proposed financing will not impair the company's financial integrity nor its ability to meet its public service responsibilities. We find that the company's requests should be granted; that the money, property or labor to be procured or paid for by the issue of the bonds and stock 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.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in future proceedings for the purpose of fixing just and reasonable rates. No authorization is herein granted to applicant to finance the cost of transmission facilities which cross federal lands, unless and until applicant first shall have obtained the approval of the proper agency of the government of the United States. No part of the securities herein authorized shall be used to finance the construction of the 230-kv line from Klamath Falls, Oregon, south into California to interconnect with the system of the Pacific Gas and Electric Company. (Keno, Oregon to Stephens Butte, California.)

O R D E R

IT IS ORDERED that:

1. Pacific Power & Light Company, on or after the effective date hereof and on or before December 31, 1963, may execute a Sixteenth Supplemental Indenture in the same form, or in substantially the same form, as that annexed to the application and marked Exhibit E, and may issue and sell, at competitive bidding, in accordance with the terms and conditions set forth in the application and in the bidding papers annexed thereto, not to exceed \$30,000,000 of First Mortgage Bonds and not to exceed 100,000 shares of its Preferred stock.

2. Pacific Power & Light Company shall use the net proceeds from the sale of the bonds and preferred shares herein authorized for the purposes set forth in this application,

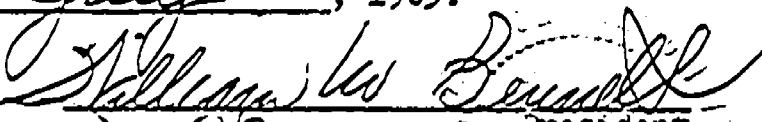
except as restricted in the foregoing opinion. The accrued interest and dividends may be used for such purposes or for general corporate purposes.

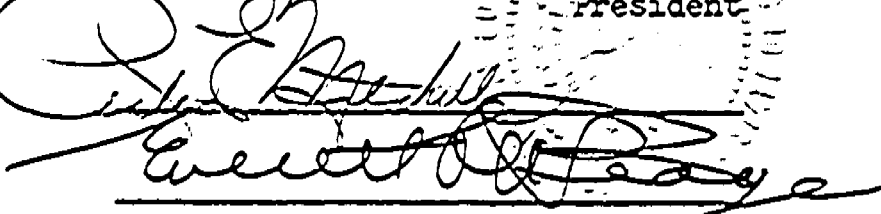
3. Immediately upon awarding the contract for the sale of said bonds and preferred shares, Pacific Power & Light Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest and dividend rates and the cost of money to applicant based upon such price and interest or dividend rate.

4. Within thirty days after the issue and sale of the bonds and stock herein authorized, Pacific Power & Light Company shall file a report with the Commission showing the date on which said bonds and preferred shares were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus. As soon as possible thereafter Pacific Power & Light Company shall file a statement showing the purposes for which the proceeds from the sale of its bonds and preferred shares were used.

5. The authorization herein granted shall become effective five days from the date hereof.

Dated at San Francisco, California,
this 16th day of July, 1963.



President


Commissioners

We concur in the opinion and order except that we dissent as to that portion which prohibits use of the securities to finance construction of the line from Klamath Falls, Oregon into California.

1. As a financial matter, this prohibition is not needed to protect prospective purchasers of the securities. So far as we are aware, it is not claimed that the questioned expenditure will imperil the financial stability of the company.

2. The prohibition is not needed to safeguard ratepayers. They are adequately protected by our authority to disallow, for ratemaking purposes, any expenditures which may be shown to be imprudent.

3. The apparent purpose of the prohibition is to prevent the construction of an interstate line over which the Commission majority asserts no certificating jurisdiction. To that extent the prohibition constitutes a premature and gratuitous intrusion into a national controversy which, appropriately, is now before Congress.

4. The prohibition will be ineffective to accomplish even this purpose, for the applicant need only use other funds for the project.

George G. Grover

Commissioner

Frederick B. Holcluff

Commissioner