

**ORIGINAL**

Decision No. 66043

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PACIFIC POWER & LIGHT COMPANY

For an Order Authorizing it to Assume  
Liability as Guarantor of Promissory  
Notes or other Evidence of Indebtedness,  
or Obligations of Other Persons, Firms  
or Corporations.

Application No. 45705  
Filed August 23, 1963

O P I N I O N

In this application, Pacific Power & Light Company seeks authorization under Section 830 of the Public Utilities Code to assume liability as guarantor of securities to be issued by property owners and customers in its service area for the purpose of financing certain costs for obtaining or improving electric and water service, and for the purchase and installation of electrical appliances and equipment.<sup>1/</sup>

1/ Section 830 reads as follows:

"No public utility shall assume any obligation or liability as guarantor, endorser, surety, or otherwise in respect of the securities of any other person, firm, or corporation, when such securities are payable at periods of more than 12 months after the date thereof, without having first secured from the commission an order authorizing it so to do. Every such assumption made other than in accordance with the order of the commission authorizing it is void."

Applicant is a corporation organized under the laws of the State of Maine, and is engaged principally in the business of generating, purchasing, transmitting, distributing and selling electric energy in the States of California, Idaho, Montana, Oregon, Washington and Wyoming. Also, the company supplies water, steam heat and telephone service in various communities in its service area, but not in the State of California. For the 12 months ended April 30, 1963, applicant reports that approximately 97% of its revenues was derived from electric service, and that only 5.9% of all its revenues was derived from its California operations.

The company asserts that its proposal to guarantee notes and other evidences of indebtedness and obligations of property owners and customers in its service areas to commercial banks to finance costs of line extensions, wiring modifications and modernizations, and for installation of wired-in electrical equipment and appliances will enable such customers and property owners to obtain the benefits of electric and water service and increased electrical use, and correspondingly will result in increasing its load and revenues. Moreover, according to the application, the purchase and installation by its customers of permanently wired-in electrical equipment and appliances, electric space heating equipment, water heaters, permanent lighting fixtures and wiring improvements will improve its competitive position with gas, oil and other fuel.

Specifically, applicant proposes to assume the obligation and liability as guarantor of promissory notes or other evidences of indebtedness or obligations where the purposes of such notes or obligations are as follows:

- (1) To finance payment by property owners to applicant of part of the cost of constructing and installing extensions of the applicant's electric or water service lines required in order to supply adequate electric or water utility service to the properties of such property owners under circumstances which are such that under applicable rules, regulations and tariffs the property owners or other customers to be furnished service by the line extension would be required, as a condition to obtaining the new service, to make an advance payment or payments to applicant;
- (2) To finance payment by property owners of the cost of acquisition and installation in and about houses and other residential buildings, owned partly or wholly by such owners and being furnished electric service by applicant, of wiring modernization or improvements, or of equipment and appliances for the utilization of electricity (of such kind as to necessitate more or less permanent wiring-in to the structure or other attachment to the structure or land), along with any necessary wiring modifications or changes for the installation and operation of such equipment and appliances;
- (3) To finance payment by property owners or their tenants of the cost of acquisition and installation in and about buildings and structures used principally for a commercial purpose or purposes, and to which applicant at the time is furnishing electric utility service through one or more customer accounts, of wiring modernization or improvements, or of equipment and appliances for the utilization of electricity (of such kind as to necessitate more or less permanent wiring-in to the structure or other attachment to the structure or land), along with any necessary wiring modifications or changes for the installation and operation of such equipment and appliances.

The maximum liability to be assumed with respect to any such note, or other evidences of indebtedness or obligations for any of the above-described purposes, shall not exceed \$5,000 with respect to purpose numbered (1) above; \$1,200 for purpose numbered (2) above; and \$2,500 for purpose numbered (3) above. Each obligation made or entered into for purposes numbered (2) and (3) above shall be payable in monthly installments within a term or period not exceeding sixty months from the date it becomes effective. Each obligation made or entered into for purpose numbered (1) above shall be payable in monthly installments within a period not exceeding ten years from the date it becomes effective. The aggregate principal outstanding balance of all such obligations for purpose numbered (1) above to which applicant at any one time shall assume liability, shall not exceed \$2,000,000 and the aggregate principal outstanding balance of all such obligations for purposes numbered (2) and (3) above with respect to which applicant at any one time may assume liability, shall not exceed \$1,000,000. The face amount of said obligations will generally vary in each case and the total amount outstanding will vary from time to time, but the aggregate will not exceed \$3,000,000 at any one time. The date of issue and the date of maturity will generally vary with each separate obligation.

The application shows that the maximum limits to which the company could become obligated as guarantor on such notes or other evidences of indebtedness or obligations within the limits

imposed would be small in relation to its total assets and liabilities. Applicant believes its losses would be small in relation to the maximum limit of its liability as such guarantor, and asserts that before it would assume liability as guarantor of any such obligations, a purchaser's credit statement would be obtained and a credit analysis made of the principal obligor in each instance. Applicant would not be required to repurchase any such obligation until payments thereon become at least sixty days delinquent.

It appears that applicant's proposed program will facilitate property owners and customers in the service area throughout its system in securing reasonable financing arrangements to obtain or improve electric and water service and installation of electrical equipment and will provide the basis for effective promotion of sales of electric energy by the applicant.

Upon review of the application, it appears to us, and we so find, that applicant's proposal will not be adverse to the public interest and should be authorized, subject to the terms of the order herein. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Pacific Power & Light Company is authorized to assume liability as guarantor of not to exceed at any one time \$3,000,000 aggregate principal amount of securities to be issued under the terms and for the purposes set forth in this proceeding.

2. The authorization herein granted is not to be construed as binding the Commission to recognize any losses arising from defaulted obligations as operating expenses for the purpose of fixing rates.

3. In its annual reports to the Commission applicant shall show the amount of the obligations it has guaranteed under the authorization herein granted, the payments, if any, which it has been required to make by reason of defaults in such obligations and the account to which it charged such payments.

4. This order shall become effective on the date hereof.

Dated at San Francisco, California, this 24<sup>th</sup> day of SEPTEMBER, 1963.

William L. Bennett  
President

Robert E. Mitchell  
Edward W. Page

George G. Grover

Frederic B. Hulseff  
Commissioners