

ORIGINAL

Decision No. 67035

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 K, 4.65% due April 1, 1994, and (b) to execute a Twelfth Supplemental Indenture to be dated as of April 1, 1964, supplemental to its First Mortgage Indenture dated as of July 1, 1944.

Application No. 46244
Filed February 28, 1964

In the Matter of the Application of
CALIFORNIA-PACIFIC UTILITIES COMPANY

for an order authorizing it to issue and sell \$1,000,000 principal amount of its 4.85% Debentures, due April 1, 1989.

Application No. 46245
Filed February 28, 1964

O P I N I O N

California-Pacific Utilities Company has filed these applications requesting authorization to issue and sell \$2,000,000 principal amount of first mortgage bonds and \$1,000,000 principal amount of debentures, and to execute an indenture and a supplemental indenture.

Applicant is a California corporation engaged as a public utility in providing electric, gas, water and telephone services in certain localities in California. Various services as a public utility are provided also in parts of Oregon, Nevada, Utah and

Arizona, and nonutility operations are conducted in the distribution of butane-propane gas in California and Oregon. As of December 31, 1963, it reports serving approximately 72,000 customers. Assets and liabilities, as reflected in the December 31, 1963 corporate balance sheet on file with the Commission, have been condensed as follows:

<u>Assets</u>		
Utility plant -	\$42,795,110	
Less: Depreciation reserve	<u>8,556,445</u>	\$34,238,665
Current and accrued assets		3,139,938
Other assets		<u>1,000,659</u>
Total		<u>\$38,379,262</u>
<u>Liabilities and Capital</u>		
Capitalization -		
Long-term debt	\$16,208,000	
Preferred stock	1,807,820	
Common stock equity	<u>13,626,159</u>	\$31,641,979
Current and accrued liabilities		5,279,702
Other liabilities		<u>1,457,581</u>
Total		<u>\$38,379,262</u>

The balance sheet indicates that the corporation has financed its investment in utility plant primarily through issuance of bonds, debentures, and preferred and common stock, and through the use of internally generated funds. The \$16,208,000 of long-term debt outstanding on December 31, 1963 represents 51% of capitalization and includes ten series of first mortgage bonds and two issues of debentures, of which one issue is convertible into common stock. For the year 1963 applicant reports gross operating revenues of \$12,901,495 and net operating income of \$1,857,889.

The applications show that the company's unreimbursed expenditures, as of January 31, 1964, amounted to \$9,096,806, no part of which has been capitalized by issuance of securities; that as of January 31, 1964, it had outstanding short-term loans in the amount of \$2,500,000; and that during 1964 it expects to spend approximately \$7,900,000 for additions and betterments to its properties. In order to reimburse its treasury, to repay outstanding short-term loans, and to finance, in part, its 1964 construction expenditures, applicant proposes to issue first mortgage bonds and debentures in the principal amounts of \$2,000,000 and \$1,000,000, respectively. It appears that further permanent financing will be required at the end of

1964 or early in 1965 to complete the expansion program, which program will be financed in the interim by funds obtained from internal sources and additional short-term borrowings.

The proposed issue of bonds will constitute a new series in the principal amount of \$2,000,000 to be designated as First Mortgage Bonds, Series K, 4.65%, due April 1, 1994. Said bonds will be subject to optional redemption at an initial regular redemption premium of 104.65%, plus accrued interest, during the period ending March 31, 1969, and thereafter at annually reducing premiums; provided, however, that during said period ending March 31, 1969, the bonds will not be redeemable from the proceeds of other borrowings at an interest cost of less than 4.65% per annum. Repayment of the bond issue will be secured by an existing first mortgage indenture as heretofore

supplemented and further supplemented by a proposed Twelfth Supplemental Indenture.

The proposed debentures will constitute a new series in the principal amount of \$1,000,000 to be designated as 4.85% Debentures due April 1, 1989. The debentures will be issued under and pursuant to the terms of an Indenture to be dated as of April 1, 1964, between applicant and the United California Bank, as Trustee. Said debentures will be subject to optional redemption at an initial redemption premium of 104.85%, plus accrued interest, during the period ending March 31, 1969, and thereafter at reduced premiums; provided, however, that prior to April 1, 1969, the debentures will not be redeemable from the proceeds of other borrowings at an interest cost of less than 4.85% per annum.

Subject to receiving authorization from the Commission, the company proposes to sell the bonds and debentures to institutional buyers at their principal amount, plus accrued interest. Issuance of the bonds and debentures will increase the corporation's debt ratio to approximately 55% of total capitalization. Applicant asserts that, based on its earnings for the calendar year 1963, and assuming that all bonds and debentures proposed to be sold had been outstanding throughout the year, it would have earned interest on its long-term debt 2.62 times after federal income taxes and 3.89 times before federal income taxes.

The Commission has considered these matters and finds that: (1) the proposed bond and debenture issues are for proper purposes; (2) applicant will be required to pay lower interest rates than it would in the absence of restricted redemption provisions; (3) the money, property or labor to be procured or paid for by the issue of the bonds and debentures herein authorized is reasonably required for the purposes specified herein; and (4) such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the applications should be granted. A public hearing is not necessary.

The action taken herein is for the purpose of these proceedings only and is not to be construed as indicative of amounts to be included in proceedings for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company may execute an Indenture and a Twelfth Supplemental Indenture in the same form, or in substantially the same form, as those filed in these proceedings.

2. California-Pacific Utilities Company, on or before July 31, 1964, may issue and sell not to exceed \$2,000,000 principal amount of its First Mortgage Bonds, Series K, 4.65%, due April 1, 1994, and not to exceed \$1,000,000 principal amount of its 4.85% Debentures due April 1, 1989, at not less than the principal amounts plus accrued interest, and shall use the proceeds, other than accrued interest, for the purposes specified in the applications. The accrued interest may be used for said purposes or for general corporate purposes.

3. 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 hereby made a part of this order.

4. This order shall become effective when California-Pacific Utilities Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California, this 7th day of April, 1964.

William L. Bernard
President

George E. Grover
Commissioners

Frederick B. Halaloff
Commissioners

