

ORIGINAL

Decision No. 67341

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of San Diego Pipeline Company
for Authority to Issue Notes

Application No. 46504
Filed April 14, 1964

Robert B. Curtiss, for applicant;
Sidney J. Webb, for the Commission staff.

O P I N I O N

San Diego Pipeline Company has filed this application for authority to issue \$7,650,000 aggregate principal amount of notes exempt from competitive bidding.

A public hearing was held before Examiner Donovan in Los Angeles on May 20, 1964, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is a California corporation organized on or about August 29, 1960, originally under the name of Santa Fe Pipeline Company; however, by Amendment of its Articles of Incorporation filed with the Secretary of State on June 20, 1962, its name was changed to San Diego Pipeline Company. The company owns and operates a public utility petroleum products pipeline system extending from Norwalk, Los Angeles County, via Anaheim, Orange County, to a terminal in the Mission Valley area of San

Diego County, and to San Diego Harbor. Its corporate stock is owned equally by Chanslor-Western Oil and Development Company and by Pacific Petroleum Pipelines, Inc., wholly owned subsidiaries of The Atchison, Topeka and Santa Fe Railway Company and Southern Pacific Company, respectively.

For the year 1963, being its first full year of operation, applicant reports total revenues of \$813,275.60 and net income of \$69,587.60. Its assets and liabilities as of December 31, 1963, are reported as follows:

Assets

Investment in carrier property, less accrued depreciation	\$8,966,726.34
Cost of organization less amortization reserve	892.51
Current assets	449,803.29
Deferred debits	<u>16,902.13</u>
Total	<u>\$9,434,324.27</u>

Liabilities

Capital stock	\$1,000,000.00
Non-negotiable debt to Chanslor-Western Oil and Development Company	3,825,000.00
Non-negotiable debt to Pacific Petroleum Pipelines, Inc.	3,825,000.00
Current liabilities	212,890.68
Unearned surplus	500,000.00
Earned surplus	<u>71,433.59</u>
Total	<u>\$9,434,324.27</u>

The record shows that the indebtedness to Chanslor-Western Oil and Development Company and to Pacific Petroleum Pipelines, Inc., in the amount of \$3,825,000 to each, represents open accounts payable advances received for the purpose of financing, in part, the construction cost of the petroleum products pipeline system. Applicant proposes to represent such advances by two unsecured \$3,825,000 non-negotiable promissory notes, each repayable in principal installments of \$200,000 annually commencing December 31, 1964, and bearing interest at the following rates:

- 2% per annum from date of issuance to December 31, 1964
- 3% per annum from January 1, 1965 to December 31, 1965
- 4% per annum from January 1, 1966 to December 31, 1966
- 5% per annum from January 1, 1967 to December 31, 1967, and
- 6% per annum thereafter.

The company asserts that it obtained the advances at a time when it did not possess the background, experience or earnings generally regarded as necessary in order to commend securities to the investing public. The record shows that, as a consequence, the company was able to obtain such advances from its parent corporations at a more favorable rate of interest than would have been possible from any other source. It is applicant's considered judgment that as favorable terms as are contained in the proposed notes could not be obtained through the public offering of securities or by competitive bidding if it were to endeavor to refinance the obligations with a view to paying off the advances from its parent companies.

The Commission has considered this matter and finds that: (1) the proposed issue of notes is for a proper purpose; (2) applicant's plan for issuing the notes under the terms set forth in this proceeding and without resorting to competitive bidding will not be adverse to the public interest; (3) the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purpose specified herein; and (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we conclude that the application should be granted. The action taken herein is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. The issue by San Diego Pipeline Company of not to exceed \$7,650,000 aggregate principal amount of notes is hereby exempted from the Commission's competitive bidding rule which is set forth in Decision No. 38614, dated January 15, 1946, as amended by Decision No. 49941, dated April 20, 1954, in Case No. 4761.

2. San Diego Pipeline Company, on or after the effective date hereof and on or before September 30, 1964, may issue two unsecured notes in the principal amount of not to exceed \$3,825,000 each, and aggregating not to exceed \$7,650,000, in accordance with the terms and for the purpose set forth in this proceeding.

3. San Diego Pipeline 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 San Diego Pipeline Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$4,325.

Dated at San Francisco, California, this 10th day of JUNE, 1964.

William B. Bennett
President
George D. Brown
Frederick B. Hallock
Commissioners

