

ORIGINAL

Decision No. 68418

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 100,000)
 shares of Serial Preferred Stock.)
 _____)

Application No. 47202
Filed December 21, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Pacific Power & Light Company to issue and sell, at competitive bidding, 100,000 shares of preferred stock of the par value of \$100 each, the bids to specify the dividend rate.

Applicant is a corporation organized under the laws of the State of Maine. It 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. In addition, the company supplies water, steam heat and telephone service in various communities in its service area, but not in California. For the 12 months ended October 31, 1964, applicant reports that approximately 97% of its revenues was derived from electric service, and that only 5.7% of all revenues originated in California. Its capital ratios, as of October 31, 1964, are approximately as follows:

Bonds and debentures	59%
Preferred stock	8
Common stock equity	<u>33</u>
Total	<u>100%</u>

The company reports that, in addition to filing its application with this Commission for authority to issue preferred stock, it is required to file applications for such authority with the Federal Power Commission, the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission, the Public Utility Commissioner of Oregon, the Public Service Commission of Wyoming and the Public Service Commission of Montana. Moreover, prior to sale, the preferred stock must be registered with the Securities and Exchange Commission under the Securities Act of 1933.

Pursuant to the competitive bidding requirements of this Commission, applicant seeks authority to issue and sell 100,000 shares of a new series of its Serial Preferred Stock, which will be redeemable at the initial public offering price plus a premium of \$5 per share to and including February 1, 1970, \$3 per share thereafter to and including February 1, 1975, and \$1 per share thereafter, in each case adjusted to the next higher multiple of one cent in the event of fractions and with accumulated unpaid dividends.

The purpose of the proposed financing is to provide applicant with funds to be applied toward the redemption of 100,000 shares of its \$100 par value 5.64% Serial Preferred Stock at 107% of the par value thereof plus an amount

equivalent to unpaid accumulated dividends to the date of redemption. The company will use treasury funds generated in the operation of its business for redemption moneys required and not realized from the net proceeds of the sale of the proposed 100,000 shares of preferred stock.

Applicant sold the 100,000 shares of 5.64% Serial Preferred Stock in 1958 at a price of \$100.209 per share, which resulted in a substantially higher cost of money than did its more recent sale in 1963 of 100,000 shares of 4.72% Serial Preferred Stock at a price of \$100.21 per share. Under prevailing market conditions the company should be able to make significant savings in annual dividend payments on 100,000 shares of its preferred stock. It appears that such savings will justify the redemption costs and other expenses associated with the proposed redemption of 5.64% Serial Preferred Stock and the issue and sale of 100,000 shares of a new series of preferred stock as contemplated in this proceeding.

The Commission has considered this matter and finds that: (1) the proposed preferred stock issue is for a proper purpose; (2) the proposed refinancing should result in a lower cost of money to the applicant; (3) the money, property or labor to be procured or paid for by the issue of the preferred stock 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. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor 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. Pacific Power & Light Company may invite the submission of written sealed bids for the purchase of 100,000 shares of its Serial Preferred Stock of the par value of \$100 per share, such invitation for bids to be published at least four days prior to the date set for the opening of the bids.

2. Pacific Power & Light Company may issue and sell such 100,000 shares of stock at the price offered which will result in the lowest annual cost of money calculated as set forth in the invitation for bids.

3. Pacific Power & Light Company shall use the net proceeds from the sale of the preferred stock herein authorized for the purpose set forth in this application.

4. Immediately upon awarding the contract for the sale of said preferred stock, 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 dividend rate and the cost of money to applicant based upon such price and dividend rate.

5. Within thirty days after the issue and sale of the preferred stock herein authorized, Pacific Power & Light Company shall file with the Commission three copies of its prospectus.

6. Pacific Power & Light Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

7. The effective date of this order is the date hereof.

Dated at San Francisco, California, this
5th day of JANUARY, 1965.

Fredrick B. Hallock
President
Ed. J. [unclear]
George H. [unclear]
William L. [unclear]

Commissioners