

ORIGINAL

Decision No. 69021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of PACIFIC GAS AND ELECTRIC)
COMPANY for authorization to)
enter into separate agreements)
with the CANADIAN IMPERIAL BANK)
OF COMMERCE and THE ROYAL BANK)
OF CANADA so as to assume)
certain liabilities as guarantor)
on certain promissory notes of)
ALBERTA AND SOUTHERN GAS CO.)
LTD.)

Application No. 47488
Filed April 9, 1965

O P I N I O N

Pacific Gas and Electric Company requests an order of the Commission authorizing it to enter into and carry out the provisions of separate Deficiency Agreements with Canadian Imperial Bank of Commerce and The Royal Bank of Canada, whereby applicant will assume certain liabilities as guarantor on certain promissory notes of Alberta and Southern Gas Co. Ltd., repayable in Canadian dollars in the aggregate principal amount of not to exceed \$3,000,000 (Can.).

By Decision No. 60564, dated August 16, 1960, in Application No. 40738, applicant was granted authority by this Commission to construct and operate the California section of the so-called Alberta-California project. Applicant reports that said project pertains to a natural gas pipeline system which was placed in operation in December,

1961 for the primary purpose of enabling it to obtain natural gas from the Province of Alberta, Canada.

According to the application, Alberta and Southern Gas Co. Ltd., an Alberta company having only nominal capitalization, does not own any pipeline facilities and is a wholly-owned subsidiary of applicant. It appears that the principal functions of said subsidiary are to purchase gas from producers in Alberta and to arrange for transportation of such gas to the international boundary where the bulk of it is delivered and sold to Pacific Gas Transmission Company which, in turn, delivers and sells natural gas to applicant at the California-Oregon boundary.

The application shows that Alberta and Southern Gas Co. Ltd., for the purpose of financing its operations, has borrowed United States of America dollars from applicant and that as of March 31, 1965, there was \$2,830,367.83 (U.S.) due and owing with interest thereon at the rate of 6% per annum. In order to obtain funds for repaying said sum, and allowing for the current rate of exchange, the subsidiary company has arranged to borrow \$1,500,000 (Can.) from Canadian Imperial Bank of Commerce and \$1,500,000 (Can.) from The Royal Bank of Canada. Each loan will be represented by a promissory note repayable on demand. Said subsidiary agrees to repay each of the two loans by monthly installments of \$5,000 (Can.), together with interest at the rate of 6% per annum.

In this proceeding, applicant proposes to enter into separate Deficiency Agreements with Canadian Imperial Bank of Commerce and The Royal Bank of Canada. Under the terms of such agreements each bank, for a period of ten years, will forbear making demands on Alberta and Southern Gas Co. Ltd. for repayment of the total sums. In consideration for the banks' loans to the subsidiary and their forbearance to make demand for repayment, applicant covenants and agrees that it will, upon demand, pay to each bank amounts of deficiencies caused by failure of Alberta and Southern Gas Co. Ltd. to comply with the terms of each loan.

Applicant asserts that repayment of the outstanding foreign credit will carry out the governmental program to improve the United States of America international balance-of-payment position, and that since the subsidiary company is wholly-owned by Pacific Gas and Electric Company and has only relatively nominal assets, it is reasonable for the Canadian banks to obtain assurance of repayment from applicant. Applicant alleges further that (a) it will obtain cash in place of credit and will be making a guaranty of an amount not in excess of the risk of loss it now has; (b) the subsidiary company will be able to meet interest and principal payments on each bank loan out of depreciation and return on investment; and (c) the remaining balance due on each loan at the end of the ten-year period will be refinanced on a basis similar to the plan proposed herein.

The Commission has considered this matter and finds that applicant's proposal to enter into separate Deficiency Agreements, and thereby assume certain liabilities as guarantor on certain promissory notes of Alberta and Southern Gas Co. Ltd., will not be adverse to the public interest. On the basis of this finding we conclude that the application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that Pacific Gas and Electric Company may enter into and carry out the provisions of separate Deficiency Agreements in the same form, or in substantially the same form, as those attached to the application as Exhibit A and Exhibit B, and may assume liabilities as guarantor on promissory notes of Alberta and Southern Gas Co. Ltd., repayable in Canadian dollars in the aggregate principal amount of not to exceed \$3,000,000 (Can.).

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 11th day of May, 1965.

[Signature] President
George E. Brown
[Signature]
[Signature] Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.