

ORIGINAL

Decision No. 71986

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 \$3,000,000)
principal amount of its First)
Mortgage Bonds, Series M, 6-3/8%)
due March 1, 1997, and (b) to)
execute a Fourteenth)
Supplemental Indenture to be)
dated as of March 1, 1967,)
supplemental to its First)
Mortgage Indenture dated as of)
July 1, 1944.)

Application No. 49091
Filed January 19, 1967

O P I N I O N

This is an application for an order of the Commission authorizing California-Pacific Utilities Company to issue and sell \$3,000,000 aggregate principal amount of its first mortgage bonds and to execute a supplemental indenture.

Applicant is a California corporation owning and operating public utility electric, gas, water and telephone systems in various parts of California and Nevada; electric, gas and telephone systems in Oregon; and electric systems in Arizona and Utah. The company is also engaged in the non-utility sale of butane-propane gas in California and Oregon. For the twelve months ended November 30, 1966, the company reports total operating revenues of \$18,593,193 and net income of \$2,133,948.

The corporation's reported capitalization ratios as of November 30, 1966, and giving effect to the financing proposed herein, are summarized as follows:

	<u>Nov. 30, 1966</u>	<u>Pro Forma</u>
Long-term debt	49.9%	53.1%
Preferred stock	3.3	3.1
Common stock equity	<u>46.8</u>	<u>43.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Applicant states that it has outstanding \$3,500,000 of short-term bank loans due in 1967 which were incurred for construction purposes. According to the application, the utility's unreimbursed construction expenditures, as of November 30, 1966, aggregated \$13,476,254, and applicant expects to expend approximately \$6,200,000 for additions and betterments to its properties during the year 1967.

The bond issue proposed in this proceeding will constitute a new series to be designated First Mortgage Bonds, Series M, 6-3/8%, due March 1, 1997. Said bonds will be subject to a seven-year restricted redemption provision and will be secured by an existing indenture as heretofore supplemented, and as further supplemented by a Fourteenth Supplemental Indenture.

Applicant concludes that a seven-year restricted redemption provision is required if the bonds are to be sold at a reasonable interest rate. In view of current money market conditions and the impossibility of predicting future interest rates, it appears that the immediate savings in interest costs

which will result from the seven-year restricted refunding period will compensate for the theoretical possibility of a future reduction in interest rates.

The company plans to sell the \$3,000,000 of new bonds to nine institutional investors at their principal amount plus accrued interest. Applicant reports that the bond proceeds will be used to retire a portion of its outstanding short-term bank loans.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in this proceeding; (3) applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted redemption provision; (4) the proposed Fourteenth Supplemental Indenture will not be adverse to the public interest; (5) the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein; and (6) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted 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:

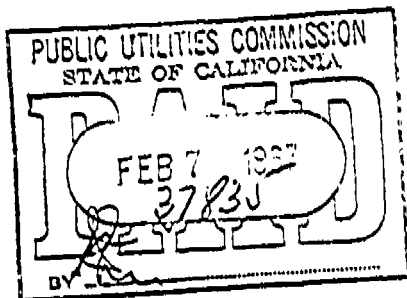
1. California-Pacific Utilities Company may execute and deliver a Fourteenth Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit C.

2. On or after the effective date hereof and on or before July 31, 1967, California-Pacific Utilities Company may issue and sell not to exceed \$3,000,000 aggregate principal amount of its First Mortgage Bonds, Series M, 6-3/8%, due March 1, 1997, at not less than their principal amount plus accrued interest, and shall use the proceeds, other than accrued interest, for the purpose set forth in the application. The accrued interest may be used for said purpose 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-B, 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, which fee is \$2,000.

Dated at San Francisco, California,
this 7th day of FEBRUARY, 1967.



[Signature]
President
[Signature]
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Commissioners