

ORIGINAL

Decision No. 73217

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 N, 6-1/2%)
due November 1, 1997, and (b) to)
execute a Fifteenth Supplemental)
Indenture to be dated as of)
November 1, 1967, supplemental)
to its First Mortgage Indenture)
dated as of July 1, 1944.)

Application No. 49693
Filed September 28, 1967
and Amendment
Filed October 5, 1967

O P I N I O N

In this application California-Pacific Utilities Company requests authorization from the Commission to issue and sell \$3,000,000 principal amount of its First Mortgage Bonds, and to execute and deliver a Fifteenth 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 nonutility sale of butane-propane gas in California and Oregon. For the twelve months ended June 30, 1967, the utility reports total operating revenues of \$19,302,205 and net income of \$2,219,364.

The corporation's capitalization ratios as of June 30, 1967, and as adjusted to give effect to the financing proposed herein, are summarized as follows:

	<u>June 30, 1967</u>	<u>Pro Forma</u>
Long-term debt	52.5%	55.3%
Preferred stock	3.1	2.9
Common stock equity	<u>44.4</u>	<u>41.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Applicant reports that at the time of filing the application it had outstanding \$3,700,000 of short-term bank loans which were incurred for construction purposes. According to the application, the utility's unreimbursed construction expenditures, as of June 30, 1967, aggregated \$13,958,781, and applicant anticipates expenditures of approximately \$6,200,000 for additions and betterments to its properties during the year 1967.

The proposed bond issue will be designated First Mortgage Bonds, Series N, 6-1/2%, due November 1, 1977, and will be secured by an existing indenture as heretofore supplemented, and as further supplemented by a proposed Fifteenth Supplemental Indenture. The bonds will be redeemable at the company's option upon payment of an initial redemption price of 106.5% of the principal amounts, plus accrued interest, if redeemed during the twelve-month period ending October 31, 1968, and thereafter at annually reducing premiums. However, redemption may not be made prior to November 1, 1977 through the use of funds borrowed at an interest cost of less than 6-1/2% per annum.

With respect to the restricted redemption provision extending over a period of ten years, applicant has consulted with Dean Witter & Co., and has concluded that such restriction would be required if the bonds were to be sold at a reasonable interest rate. Regarding efforts to offer the bonds at a 6-3/8% interest rate with a restricted redemption provision for a period of seven years, Dean Witter & Co. states, in part, in Exhibit D, attached to the amendment to the application, as follows:

"We contacted former buyers of the bonds, as well as other prospective purchasers, and were able to attract no interest at these terms except for a tentative indication from the Liberty Life Insurance Company of Greensboro, North Carolina, and the Nashville Life and Accidental Company of Nashville, Tennessee. We were aware of potential buyers in Los Angeles at 6¹/₂% if the refunding provision were changed to ten years.

"When we were informed of the lack of institutional interest expressed to our other division offices and the final decision to pass the offering by the two insurance companies in the South, we advised the Company to accept the purchase offers we had solicited in Los Angeles. The Company decided that in view of its financial needs, it wished to enter into a firm commitment rather than speculate on the course of the market. With this judgment we wholeheartedly concurred since our experience over many years indicates that efforts to outwait the market for more favorable terms may result in even more unfavorable terms."

Applicant plans to sell the \$3,000,000 of new bonds to two life insurance companies at their principal amount plus accrued interest. The utility reports that the net bond proceeds will be used to repay 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 effective rate than it would in the absence of the proposed restricted redemption provision; (4) the proposed Fifteenth 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, as amended, 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 Fifteenth 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 March 31, 1968, California-Pacific Utilities Company may issue and sell not exceeding \$3,000,000 principal amount of its First Mortgage Bonds, Series N, 6-1/2%, due November 1, 1997, at not less than their principal amount plus accrued interest, and shall use the net 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 24th day of OCTOBER, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

