

ORIGINAL

Decision No. 75524

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

CALIFORNIA-PACIFIC UTILITIES)
COMPANY, a corporation,)

for an order authorizing it (a) to)
issue and sell \$1,500,000 principal)
amount of its First Mortgage Bonds,)
Series O, 7-1/2% due March 1, 1999,)
and to execute a Sixteenth)
Supplemental Indenture to be dated)
as of March 1, 1969, supplemental)
to its First Mortgage Indenture)
dated as of July 1, 1944; and)
(b) to issue and sell \$1,500,000)
principal amount of its 7-3/4%)
Debentures, due March 1, 1994.)

Application No. 50937
Filed March 6, 1969
and Amendment
Filed March 19, 1969

O P I N I O N

California-Pacific Utilities Company requests an order of the Commission authorizing it to issue and sell \$1,500,000 principal amount of bonds and \$1,500,000 principal amount of debentures, and to execute and deliver an indenture and a supplemental indenture.

Applicant is a California corporation owning and operating public utility electric, gas, water and telephone systems in 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 year 1968, the utility reports total operating revenues and net income

of \$20,849,184 and \$1,938,685, respectively. The corporation's reported capital ratios as of December 31, 1968, and as adjusted to give effect to the financing proposed herein, are summarized as follows:

	<u>Dec. 31, 1968</u>	<u>Pro Forma</u>
Long-term debt	52.65%	55.40%
Preferred stock	2.97	2.80
Common stock equity	<u>44.38</u>	<u>41.80</u>
Total	<u>100.00%</u>	<u>100.00%</u>

According to the application, the utility's outstanding notes representing bank loans incurred for construction purposes aggregated \$3,500,000 at the time of filing. Applicant issued \$1,100,000 of said notes pursuant to authority granted by Decision No. 74596, dated August 27, 1968, in Application No. 50462. The company reports unreimbursed construction expenditures aggregating \$11,863,729 as of December 31, 1968. It expects to expend approximately \$6,000,000 for additions and betterments to its properties during the year 1969.

In order to obtain funds for the repayment of bank loans applicant proposes to issue and sell \$1,500,000 principal amount of its First Mortgage Bonds, Series 0, 7-1/2%, due March 1, 1999, and \$1,500,000 principal amount of its 7-3/4% Debentures, due March 1, 1994. The bonds will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Sixteenth Supplemental Indenture. The debentures will be issued under and pursuant to the terms of an indenture to be dated as of March 1, 1969. Applicant proposes

to sell said bonds and debentures to institutional investors at the principal amount thereof plus accrued interest. It has agreed to pay Dean Witter & Co. Incorporated a fee of \$15,000 for placing the securities.

The bonds and debentures will be subject to ten-year restricted redemption provisions. In this connection applicant has consulted with Dean Witter & Co. Incorporated, and believes that non-refundability prior to March 1, 1979 is necessary for selling the securities in the present market. This is supported by a letter dated March 13, 1969, a copy of which is attached to the amendment to the application as Exhibit E, wherein Dean Witter & Co. Incorporated states the following:

"We made the same kind of effort this year on the Bonds and Debentures as we did on the Series N bonds through our four divisional offices in San Francisco, Los Angeles, Chicago and New York. The prospectus which offered the bonds proposed a coupon of 7-1/4% on the Bonds and 7-3/4% on the Debentures and a non-refunding provision for a period of seven years for both issues.

"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 certain tentative indications of interest at 7-3/4% and 8% respectively based on the terms proposed in the prospectus. Further efforts produced demand at 7-1/2% and 7-3/4% respectively provided the refunding provision was for a term of ten years.

"We have become so accustomed to a requirement by buyers for ten year non-refunding provisions that we consider the matter hardly negotiable except at exorbitant rates."

After consideration the Commission finds that:

1. The proposed bond and debenture issues are for proper purposes.
2. Applicant has need for funds from external sources for the purpose of repaying bank loans.
3. Applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted redemption provisions.
4. The proposed indenture and 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 and debentures herein authorized is reasonably required for the purposes specified herein, which 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 an indenture and a supplemental indenture in the same form, or in substantially the same form, as those filed in this proceeding as Exhibits B and D, respectively. Corrections of obvious errors such as by changing 1999 to 1979 in the first full paragraphs on pages 12 and 24 of Exhibit D, attached to the

amendment to the application, in order to be consistent with the second full paragraph on page 19 thereof will not be considered substantial.

2. On or after the effective date hereof and on or before June 30, 1969, California-Pacific Utilities Company may issue and sell not exceeding \$1,500,000 principal amount of its First Mortgage Bonds, Series 0, 7-1/2%, due March 1, 1999, and not exceeding \$1,500,000 principal amount of its 7-3/4% Debentures, due March 1, 1994, upon the terms and conditions set forth in purchase agreements in the same form, or in substantially the same form, as those attached to the application as Exhibit C.

3. California-Pacific Utilities Company shall repay bank loans from the net proceeds, other than accrued interest, to be derived from the bond and debenture issues herein authorized. The accrued interest may be used for said purpose or for general corporate purposes.

4. 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.

5. This order shall become effective when California-Pacific Utilities Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California,
this 8th day of APRIL, 1969.

William J. Quinn
President
Arthur J. ...
Shed P. Morrison
William J. ...
Commissioners

