

Decision No. 78163

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 CALIFORNIA-PACIFIC UTILITIES)
 COMPANY)

) Application No. 52349
) Filed December 11, 1970

) for an order authorizing it (a) to)
) issue and sell 100,000 shares of its)
) 9-3/4% Cumulative Preferred Shares,)
) \$20 par value, and (b) to issue and)
) sell \$1,000,000 principal amount of)
) its 9-7/8% Debentures due January 1,)
) 1996 and execute an Indenture to be)
) dated as of January 1, 1971 providing)
) for the Debentures.)

O P I N I O N

California-Pacific Utilities Company requests an order of the Commission authorizing it (a) to execute and deliver an indenture, (b) to issue and sell \$1,000,000 aggregate principal amount of its debentures due January 1, 1996, and (c) to issue and sell 100,000 shares of its \$20 par value preferred stock of the aggregate par value amounting to \$2,000,000.

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. For the year 1969 the company reports total operating revenues and net income of \$21,790,737

and \$2,011,611, respectively. The corporation's reported capital ratios as of September 30, 1970, and as adjusted to give effect to the proposed issues of \$1,000,000 debentures and \$2,000,000 preferred stock, are summarized from the application as follows:

	<u>September 30, 1970</u>	<u>Pro Forma</u>
Long-term debt	55.20%	54.04%
Preferred stock	2.69	6.08
Common stock equity	<u>42.11</u>	<u>39.88</u>
Total	<u>\$100.00%</u>	<u>\$100.00%</u>

The application shows that the utility's short-term bank loans, incurred for construction purposes, aggregated \$4,800,000 at the time of filing, and that such borrowings may be increased before the proceeds of the proposed financing are received. By Decision No. 77743, dated September 22, 1970, in Application No. 52163, the Commission authorized applicant to renew short-term bank loans in the aggregate amount of not exceeding \$2,700,000 at any one time outstanding. The company reports unreimbursed construction expenditures aggregating \$15,134,325 as of September 30, 1970.

In order to obtain funds for the purpose of repaying outstanding short-term notes, applicant proposes to issue and sell \$1,000,000 principal amount of its 9-7/8% Debentures due January 1, 1996, and 100,000 shares of its \$20 par value 9-3/4% Cumulative Preferred Shares, of the aggregate par value of \$2,000,000.

Pursuant to a Debenture Purchase Agreement, the company proposes to sell said debentures at a price of 100% of their principal

amount plus accrued interest to The Lincoln National Life Insurance Company under an indenture to be dated as of January 1, 1971. The debentures would be subject to a ten-year restricted redemption provision.

The utility, pursuant to Preferred Stock Purchase Agreements, proposes to sell, at par plus accrued dividends, said preferred stock to The Lincoln National Life Insurance Company, Chicago Title and Trust Company and Dominion Life Assurance Company in the amounts of 77,500 shares, 15,000 shares and 7,500 shares, respectively. The stock will be subject to a ten-year restricted refunding provision.

Applicant has agreed to pay Dean Witter & Co. Incorporated a fee of \$15,000 for placing the debentures and preferred stock.

After consideration the Commission finds that:

1. The proposed debenture and preferred stock issues are for proper purposes.
2. Applicant has need for external funds for the purpose of repaying bank loans.
3. Applicant will be required to pay interest and dividends at lower rates than it would in the absence of the proposed restricted refunding provisions.
4. The proposed interest and dividend rates are reasonable for private placements in the light of market conditions prevailing at the time of negotiation.

5. The money, property or labor to be procured or paid for by the issues of the debentures and preferred stock 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.
6. The proposed indenture would not be adverse to the public interest.

On the basis of the foregoing findings we conclude that the application should be granted, provided that accrued dividends will not be used for any purpose, in whole or in part, reasonably chargeable to operating expenses or to income. 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 it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company'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. California-Pacific Utilities Company may execute and deliver an indenture to be dated as of January 1, 1971 in the same form, or in substantially the same form, as that attached to the application as Exhibit E. A correction of an obvious error such as by changing 107.43% to 109.875% for the initial redemption price on page 4 of said exhibit will not be considered substantial.

2. California-Pacific Utilities Company, on or after the effective date hereof and on or before April 30, 1971, may issue and sell not exceeding \$1,000,000 aggregate principal amount of its 9-7/8% Debentures due January 1, 1996, at a price of 100% of the principal amount thereof plus accrued interest to the date of payment and delivery.

3. California-Pacific Utilities Company, on or after the effective date hereof and on or before April 30, 1971, may issue and sell not exceeding 100,000 shares of its 9-3/4% Cumulative Preferred Shares, \$20 par value, at a price of par plus accrued dividends to the date of payment and delivery.

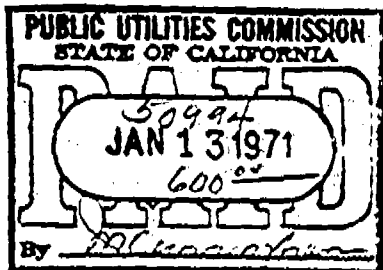
4. California-Pacific Utilities Company may execute purchase agreements providing for the sale of said stock and debentures, which agreements shall be in the same form, or in substantially the same form, as those attached to the application as Exhibits B and D, respectively.

5. California-Pacific Utilities Company shall use the net proceeds, other than accrued interest, to be received from the issuance and sale of said debentures and preferred stock for the purpose of repaying bank loans. Accrued interest, if any, may be used for such purpose or for general corporate purposes.

6. 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.

7. This order shall become effective when California-Pacific Utilities Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$600.

Dated at San Francisco, California,
this 13th day of JANUARY, 1971.



[Signature]
Chairman
[Signature]
[Signature]

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.