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Decision No. 83966

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

CALIFORNIA-PACIFIC UTILITIES)
COMPANY)

Application No. 54381
(Filed October 11, 1973)

for an order authorizing it to issue)
and sell 150,000 shares of its 8.40%)
Cumulative Preferred Shares, \$20 par)
value.)

O P I N I O N

California-Pacific Utilities Company seeks authority to issue and sell 150,000 shares of its \$20 par value preferred stock of the aggregate par value amounting to \$3,000,000.

Applicant is a California corporation owning and operating 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 propane in Oregon. For the 12 months ended August 31, 1973, the utility reports total operating revenues and net income of \$33,087,815 and \$3,323,271, respectively. The corporation's reported capital ratios as of August 31, 1973, and as adjusted to give effect to the proposed preferred stock issue, are summarized from the application as follows:

	<u>August 31, 1973</u>	<u>Pro Forma</u>
Long-term debt	56.2%	53.9%
Preferred stock	5.8	9.6
Common stock equity	<u>38.0</u>	<u>36.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The application indicates that the utility's outstanding notes, representing short-term bank loans incurred for construction purposes, aggregated \$4,300,000 at the time of filing. In order to obtain funds for repaying short-term notes, applicant proposes to issue and sell 150,000 of its 8.40% Cumulative Preferred Shares, \$20 par value.

Pursuant to a Preferred Stock Purchase Agreement, the utility intends to sell said preferred shares to The Lincoln National Life Insurance Company at the price of \$20 per share plus accrued dividends. The stock would be subject to a restricted redemption provision until March 15, 1984. Applicant has agreed to pay Dean Witter & Co. Incorporated a fee of \$15,000 for placing the preferred stock.

After consideration the Commission finds that:

1. The proposed preferred stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose of repaying bank loans.
3. The proposed restricted redemption provision is reasonable.
4. The proposed dividend rate is reasonable in the light of prevailing market conditions.
5. The money, property or labor to be procured or paid for by the issue of the preferred stock herein authorized is reasonably required for the purpose specified herein, which purpose is 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. 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:

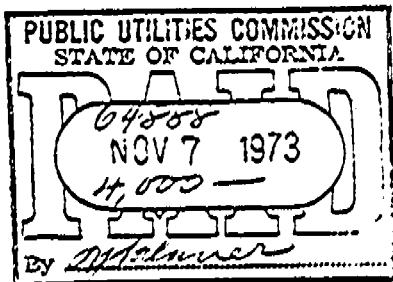
1. California-Pacific Utilities Company may issue and sell, at a price of not less than par, not exceeding 150,000 of its 3.40% Cumulative Preferred Shares, \$20 par value.
2. California-Pacific Utilities Company may execute a Preferred Stock Purchase Agreement, which agreement shall be in substantially the same form as that attached to the application as Exhibit C. A correction of an obvious error such as by changing the September 15, 1973 closing date appearing on page 2 of said Exhibit C will not be considered substantial.
3. California-Pacific Utilities Company shall repay bank loans from the net proceeds to be derived from the preferred stock herein authorized.
4. California-Pacific Utilities Company shall file with the Commission the report 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 1904.1 of the Public Utilities Code, which fee is \$4,000.

Dated at San Francisco, California, this 30th day of October, 1973.

Vernon L. Stenger
President
William Lyons-Jr.

[Signature]
Commissioners



Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Yukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.