

**ORIGINAL**Decision No. 82967

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 to issue )  
 50,310 shares of its 8.5% Cumulative )  
 Convertible Preferred shares, \$20 par )  
 value, and to issue from time to time )  
 such number of shares of its Common )  
 Stock, \$5 par value, as may be required )  
 to be issued upon conversion of said )  
 Cumulative Convertible Preferred shares. )

Application No. 54816  
 (Filed April 18, 1974)  
 and Amendment  
 (Filed May 15, 1974)

O P I N I O N

California-Pacific Utilities Company seeks authority to issue certificates evidencing 50,310 of its 8.5% Cumulative Convertible Preferred shares, \$20 par value, and to issue such number of shares of its \$5 par value Common Stock as may be required in exchange for the Cumulative Convertible Preferred shares.

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.

Pursuant to an Agreement and Plan of Reorganization, a copy of which is attached to the application as Exhibit D, applicant proposes to issue certificates evidencing 50,310 of its 8.5% Cumulative Convertible Preferred shares, \$20 par value, in exchange for certificates evidencing all of the presently outstanding shares of capital stock of Redwoods Telephone Company, an Oregon corporation engaged in the telephone business in the area of Cave Junction, Oregon. The exchange of stock certificates would follow

the merger of Cal-Red, Inc. (a newly formed Oregon subsidiary of applicant) into Redwoods Telephone Company, whereby the outstanding capital stock of Cal-Red, Inc. would be converted into capital stock of Redwoods Telephone Company, and the presently outstanding capital stock of Redwoods Telephone Company would be converted into preferred stock of applicant.

The Cumulative Convertible Preferred shares would be initially convertible at the option of the holders thereof at the rate of one common share for each Cumulative Convertible Preferred share surrendered, and the conversion rate would be subject to adjustment from time to time in order to prevent dilution of the conversion rights.

The application indicates that Redwoods Telephone Company serves approximately 1,700 main stations, and that for the year 1973 its total operating revenue and net income amounts to \$306,123 and \$64,963, respectively.

After consideration the Commission finds that:

1. The terms and conditions pertaining to the proposed stock certificates and stock are reasonable.
2. The proposed stock certificates and stock would be for proper purposes.
3. The money, property or labor to be procured or paid for by the stock certificates and stock herein authorized is reasonably required for the purposes specified herein, which purposes 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.

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, following the merger of Cal-Red, Inc. into Redwoods Telephone Company, may issue certificates representing not exceeding 50,310 of its 8.5% Cumulative Convertible Preferred shares, \$20 par value, in exchange for certificates representing the presently outstanding shares of capital stock of Redwoods Telephone Company.
2. California-Pacific Utilities Company may issue from time to time such number of shares of its Common Stock, \$5 par value, as may be required upon the conversion of its 8.5% Cumulative Convertible Preferred shares, \$20 par value, all upon the terms and conditions set forth in this proceeding.
3. California-Pacific Utilities Company shall file with the Commission the reports 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 1904.1 of the Public Utilities Code, which fee is \$2,014.

Dated at San Francisco, California, this 5<sup>th</sup> day of JUNE, 1974.

Vernon L. Sturgeon  
President  
William J. Sturgeon  
William J. Sturgeon  
William J. Sturgeon  
William J. Sturgeon  
Commissioners

