

Decision No. 87683 AUG 9 - 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of )  
 )  
 CALIFORNIA-PACIFIC UTILITIES )  
 COMPANY, a California corporation, )  
 )  
 for authority to issue not exceeding )  
 \$10,333,608 aggregate principal )  
 amount of bank notes. )  
 )

Application No. 55365  
(Filed December 6, 1974)  
and Petition for Modification  
(Filed July 5, 1977)

FIRST SUPPLEMENTAL OPINION

California-Pacific Utilities Company (Cal-Pacific) has filed this petition to modify Ordering Paragraph No. 1 of Decision No. 83862, dated December 17, 1974, in this proceeding for the purpose of extending the time for issuing and reissuing short-term promissory notes from June 30, 1977 to June 30, 1978.

Cal-Pacific is a California corporation engaged in public utility operations in California, Nevada, Oregon, Arizona and Utah. The company provides electric, gas, water and telephone services in California and also conducts nonutility activities in Oregon, where it sells propane.

The opinion in Decision No. 83862 reads, in part, as follows:

"In order to obtain funds for temporary financing of its construction program, applicant anticipates that it will be necessary to borrow prior to June 30, 1977, not exceeding \$13,000,000. According to the application, such amount exceeds the 5% of par value of other securities set forth in Section 823(c) of the Public Utilities Code by \$10,333,608. The borrowings would be made pursuant to a Revolving Line of Credit and a Loan Agreement. They would be evidenced by unsecured short-term notes bearing interest at the Bank of America

National Trust and Savings Association prime commercial loan rate for notes issued under the Revolving Line of Credit, and at 3/4% per annum in excess of the London interbank offered rate of interest for deposits in the amount and for the period of the particular note involved for notes issued under the Loan Agreement. The company proposes to repay a portion of such borrowings from time to time out of funds available from the sale of additional securities, and to issue such additional short-term notes as are within the limits of the authority herein sought."

Ordering Paragraph No. 1 of Decision No. 83862, which granted the authority requested by Cal-Pacific, reads as follows:

"1. California-Pacific Utilities Company, on or after the effective date hereof, on the terms and for the purposes set forth in the application, may issue promissory notes, and notes refunding said notes, in the aggregate principal amount of not exceeding \$10,333,608 at any one time outstanding beyond that authorized by Public Utilities Code Section 823(c), the last of which notes shall be due and payable not later than June 30, 1977."

Section 823(c) requires public utilities as defined in Section 201(e) of the Federal Power Act (49 Stat.847, 16 U.S.C. 824) to obtain the consent of the Commission to issue notes payable at not more than 12 months from date of issuance if the total of such notes exceeds 5% of the par value of other securities outstanding. Cal-Pacific is such a utility. When Decision No. 83862 was issued in December 1974, the amount of notes authorized by Section 823(c) was \$2,666,392. Cal-Pacific states that as of May 31, 1977, the amount of notes authorized by Section 823(c) was \$3,441,589.

The original application filed in this proceeding related to two bank lines of credit: one was an \$8,000,000 domestic line of credit from Bank of America National Trust and Savings Association (the Bank) which was due to expire June 30, 1975, but which was expected to be renewed in the normal course for successive one-year periods; the other was a \$5,000,000 Eurodollar line of credit which was due to expire June 30, 1977. The latter agreement is expiring and will be replaced with a new three-year agreement which will be the subject of a separate application.

Cal-Pacific has renewed its line of credit with the Bank whereby the borrowing limit has been reduced from \$8,000,000 to \$5,000,000 and the maturity dates of the notes issued thereunder have been extended to June 30, 1978. The copy of the credit agreement furnished to the staff indicates that the notes would be 90-day demand notes bearing interest at 109% of the Bank's prime rate at the time of each advance, and that a commitment fee of 9% times the Bank's average prime rate times the commitment per annum, would be payable monthly. Thus, if the prime rate were 7%, the interest rate would be 7.63%, and if the Bank's average prime rate<sup>1/</sup> were 6.75%, the annual fee would be approximately \$30,375 ( $.6075 \times \$5,000,000$ ) and monthly payments would be \$2,531.

Under the expiring Eurodollar line of credit, Cal-Pacific presently has outstanding notes maturing December 31, 1977 in an aggregate principal amount approximately equal to the \$3,441,589 limit now authorized by Section 823(c). To continue the financing of its construction program through temporary borrowings, Cal-Pacific

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<sup>1/</sup> The average prime rate for the month, reflecting any change during the month. If the prime rate were 7% for 15 days and 6.50% for 15 days, each rate would be applied to the commitment fee for the appropriate number of days.

will soon be required to draw on its new domestic line of credit with the Bank and, therefore, requests authorization to extend to June 30, 1978 the maturity dates of notes to be issued under the new line of credit. The notes which are the subject of this petition will refund notes on which Cal-Pacific has already paid the fee required by Section 1904(b) of the Public Utilities Code.

The Operations Division has reviewed the petition in conjunction with Cal-Pacific's construction program and has concluded that the temporary financing is consistent with prudent construction requirements.

The Commission has considered the Petition for Modification and finds that: (1) the proposed notes are for a proper purpose; (2) the money, property or labor to be procured or paid for by the issue and reissue of the notes herein authorized is reasonably required for the purpose specified herein; and (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. There is no known opposition and no reason to delay granting the authorization requested in the petition. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the petition should be granted. The action taken herein shall not be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates, nor as indicative of the action the Commission would take on an application, or applications, for permanent financing.

FIRST SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. Ordering Paragraph No. 1 of Decision No. 83862, dated December 17, 1974, is hereby modified so as to authorize California-Pacific Utilities Company, for the purpose set forth in the Petition for Modification, to issue promissory notes and notes refunding said notes in the aggregate principal amount of not exceeding \$5,000,000 at any one time outstanding, pursuant to its renewed domestic line of credit agreement with Bank of America National Trust and Savings Association. The last of said notes shall be due and payable not later than June 30, 1978.

2. 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.

3. Said Decision No. 83862 shall remain in full force and effect, except as modified by this First Supplemental Order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 9th day  
of AUGUST, 1977.

Robert Bateman  
President  
William J. Lyons Jr.  
Clair L. A. Smith

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Commissioners

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

Commissioner Richard D. Cravello, being  
necessarily absent, did not participate  
in the disposition of this proceeding.