

Decision No. 87782 AUG 30 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)	
)	Application No. 57485
CALIFORNIA-PACIFIC UTILITIES)	(Filed July 29, 1977)
COMPANY, a California Corporation,)	and Amendment
)	(Filed August 11, 1977)
for authority to issue bank notes.)	

California-Pacific Utilities Company (Cal-Pacific) requests authority to issue and reissue short-term promissory notes in an aggregate principal amount of \$10,000,000 pursuant to renewed lines of credit with Bank of America National Trust and Savings Association (Bank of America) and Lloyds Bank California (Lloyds).

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.

On June 20, 1977, Cal-Pacific negotiated a line of credit with Bank of America providing for borrowings up to \$5,000,000 through issuance of notes maturing not later than June 30, 1978. Authority to issue promissory notes and notes refunding said notes was granted by Decision No. 87683, dated August 9, 1977 in Application No. 55365 which decision, in effect, extended the time for issuing and reissuing short-term notes previously authorized by Decision No. 83862 dated December 17, 1974 in Application No. 55365.

A copy of the credit agreement attached to the application as Exhibit A indicates that the notes would be 90-day demand notes bearing interest at 109% of Bank of America's prime rate at the time of each advance, and that a commitment fee of 9% times the bank's monthly average prime rate times the commitment per annum would be payable monthly. Thus, if the bank's prime rate were 7%, the interest rate would be 7.63%, and if the bank's average monthly prime rate were 6.75%, the annual fee would be approximately \$30,375 ($.6075 \times \$5,000,000$) and monthly payments would be \$2,531.

Cal-Pacific has also arranged a \$5,000,000 line of credit with Lloyds Bank California (Lloyds) which expires June 30, 1978. Under the agreement attached to the application as Exhibit B, borrowings by Cal-Pacific would be evidenced by domestic notes, Eurodollar notes, and acceptance drafts.

Domestic notes would bear interest at an annual rate of 110% of Lloyds prime rate and would be issued in principal amounts of not less than \$500,000 or if greater, in multiples of \$100,000. All amounts would be repaid no later than 90 days following July 31, 1980 and no domestic loan would have a term of more than one year.

Eurodollar notes in principal amounts of \$500,000 plus multiples of \$100,000 would accrue interest at a rate of $3/4$ of 1% per annum above the lowest rate at which deposits of United States dollars of identical term and amount are offered to Lloyds by prime banks in the Eurodollar market. All amounts would be repaid no later than the 180th day following July 1, 1980.

Acceptance loans up to \$1,000,000 would be evidenced by Lloyds acceptance on drafts of Cal-Pacific presented from time to time on or before July 31, 1980. Such loans would be subject to discount by Lloyds at the then current commercial rate for prime banker's acceptances of equal tenor and amount charged by Lloyds.

A draft would not be payable more than 180 days after the date it is actually accepted by Lloyds and in no event later than the 180th day following July 31, 1980. In addition to the discount rate, an acceptance commission equal to 1-1/2% per annum times the acceptance loan would be payable in full on the date the loan is made. On the last day of each calendar quarter, Cal-Pacific would pay to Lloyds a commitment fee at the rate of 1/4 of 1% per annum on the average daily unused amount of Lloyds total commitment during the calendar quarter if the aggregate borrowing on an average daily basis should be less than 50% of the \$5,000,000 total commitment.

The credit available under the agreements replaces and refunds or extends similar credit evidenced by notes previously authorized by Decision No. 83862 as modified. The proceeds of all notes or acceptances issued under the new credit agreements will continue to be used to finance, in part, Cal-Pacific's construction program on an interim basis.

Cal-Pacific expects that the line of credit with Bank of America will be extended from June 30, 1978 for successive one-year periods and that the agreement with Lloyds will be extended, renewed or in some fashion replaced with a similar credit arrangement in the future. Some notes may extend beyond 12 months from the date of original issuance and the aggregate principal amount of notes outstanding from time to time would include notes which Cal-Pacific would be entitled to have outstanding under Section 823 (c) of the Public Utilities Code.

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 this Commission to issue notes payable at not more than 12 months from the 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. As of June 30, 1977, the

amount of notes which could be issued by Cal-Pacific pursuant to Section 823(c) of the Public Utilities Code was approximately \$3,600,000. The \$10,000,000 aggregate principal amount of notes covered by the new credit agreements would, therefore, include an amount of \$6,400,000 beyond that authorized by Section 823(c).

The Operations Division has reviewed the application in conjunction with Cal-Pacific's construction program and has concurred with the Finance Division's conclusion that the financing is consistent with prudent construction requirements.

After consideration the Commission finds that: (1) the proposed notes and acceptances would be for proper purposes; (2) the money, property or labor to be procured or paid for by the notes and acceptances herein authorized is reasonably required for the purposes specified herein; and (3) such purposes are 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 authority requested in the application. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application 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.

O R D E R

IT IS ORDERED that:

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 acceptance drafts, and notes and drafts refunding them, in the aggregate principal amount of not exceeding \$10,000,000 at any one time outstanding,

said sum to include the amount of notes which the applicant would be entitled to have outstanding from time to time under Section 823 (c) of the Public Utilities Code. The last of said notes and acceptances shall be due and payable not later than January 31, 1981.

2. On or before the tenth day of each month, California-Pacific Utilities Company shall file with the Commission a summary for the preceding month showing the aggregate amount of notes and acceptances issued hereunder and the purposes for which they were issued. The filing shall be in lieu of reports under General Order No. 24-B.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th day of 1 AUGUST, 1977.

William J. Gorman, Jr. President
Vernon L. Livingston
Richard D. Threlle

Commissioners

Commissioner Robert Batinevich, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.