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Decision No. 88152 NOV 29 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of

CALIFORNIA-PACIFIC UTILITIES
COMPANY

to assume \$450,085 principal
amount of 2% Mortgage Notes.

Application No. 57498
(Filed August 4, 1977)
and Amendment
(Filed October 14, 1977)

O P I N I O N

California-Pacific Utilities Company (Cal-Pacific) requests authority to issue 2% mortgage notes in the aggregate principal amount of not exceeding \$450,085 to the United States of America acting through the Rural Electrification Administration (REA).

Cal-Pacific is a California corporation engaged in public utility electric, gas, telephone, and water 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.

Applicant has entered into an Exchange Agreement with Nevada Power Company (Nevada Power) and its wholly-owned subsidiary, Nevada Rural Power Company (Nevada Rural), whereby Cal-Pacific has consented to exchange electric properties in Henderson, Nevada for electric properties of Nevada Rural located in Elko, Nevada. The transaction does not involve any of Cal-Pacific's facilities located in California.

A summary of Cal-Pacific's pro forma balance sheet adjustments as of March 31, 1977 pertaining to the exchange has been furnished to the staff and is received as Exhibit No. 1 in this proceeding. Exhibit No. 1 indicates that Cal-Pacific and Nevada Power each would assume liabilities totalling \$864,410 and would acquire net assets having a recorded value of \$3,170,273, as summarized below:

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	<u>Cal-Pacific</u>	<u>Nevada Power</u>
<u>Liabilities Assumed</u>		
Long-Term Debt	\$ 452,938	\$ 730,225
Customer Advances for Construction	411,472	134,185
Total	<u>\$ 864,410</u>	<u>\$ 864,410</u>
<u>Net Assets Exchanged</u>		
Electric Plant in Service	\$ 5,424,596	\$3,443,281
Common Plant in Service	-	108,609
Construction Work in Progress	(7,886) ✓	95,983
Accumulated Depreciation	(2,633,440)	(609,593)
Materials and Supplies	153,932	131,993
Trucks and Other Equipment	233,071	-
Total	<u>\$ 3,170,273</u> ✓	<u>\$3,170,273</u>

Nevada Rural presently has outstanding approximately \$450,085 of 2% mortgage notes payable to REA issued for the purpose of financing the construction and improvements of electric facilities in Elko, Nevada. As part of the exchange, Cal-Pacific would assume these notes and a related mortgage as amended by a supplemental mortgage which includes generating facilities located in Elko, Nevada. Cal-Pacific proposes to issue two notes in an aggregate principal amount of not exceeding \$450,085 as evidence of the assumption. A summary of Cal-Pacific's capital ratios as of September 30, 1977 and as adjusted to give effect to the proposed transaction is as follows:

<u>Components</u>	<u>September 30, 1977</u>	<u>Pro Forma</u>
Long-Term Debt	53.65%	53.53%
Preferred Stock	10.84	10.87
Common Stock Equity	35.51	35.60
Total	<u>100.00%</u>	<u>100.00%</u>

Since Cal-Pacific now operates a telephone system in Elko, Nevada, both the company and its customers would benefit by the division of operating expenses between the telephone and electric functions. The Operations Division of the Commission has reviewed the application and has no objection to the transaction. The Finance Division has analyzed the proposal and has concluded that the assumption of debt will be mutually beneficial to Cal-Pacific and its Elko customers and that the effect on the company's capital structure will be minimal. Because of time commitments, Cal-Pacific requests an order effective upon payment of the prescribed fee.

After consideration the Commission finds that:

1. The proposed documents would not be adverse to the public interest.
2. The proposed Mortgage Note would be for proper purpose.
3. The money, property or labor to be procured or paid for by the issue of the Mortgage Note 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, as amended, should be granted. There is no known opposition and there is no reason to delay granting the authority requested. A public hearing is not necessary. The authorization granted by this decision is for the purpose of this proceeding only, and is not to be construed 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 enter into an Assumption Agreement with the United States of America, acting through

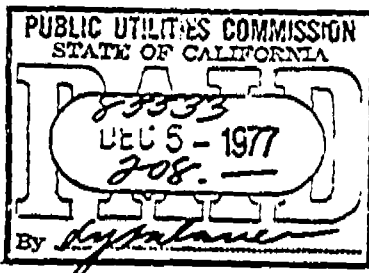
the Administrator of the Rural Electrification Administration, which documents shall be in substantially the same forms as set forth in the application.

2. California-Pacific Utilities Company, for the purpose specified in the application, may issue mortgage notes in the aggregate principal amount of not exceeding \$450,085, which Mortgage Note shall be in substantially the same form as Exhibit B attached to the application.

3. 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.

4. This order shall become effective when California-Pacific Utilities Company has paid the fee prescribed by Section 1904.2 of the Public Utilities Code, which fee is \$208.

Dated at San Francisco, California, this 29th day of NOVEMBER, 1977.



Robert Bateman
President
William Gussow
Vernon L. Sturgeon
Richard D. Shanks
Wain T. L. L. L.
Commissioners