

Decision No. 39013

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of )  
California Electric Power Company )  
for an order authorizing the issuance )  
of bonds and the mortgaging of property )  
(Sections 51 and 52, Public Utilities )  
Act). )  
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Application  
No. 27511

O P I N I O N

California Electric Power Company asks permission to issue \$16,000,000 of first mortgage bonds, due June 1, 1976, for the purpose of paying in part \$16,000,000 of first mortgage bonds, 3½% Series, due 1968.

California Electric Power Company was incorporated under the laws of the State of Delaware on December 12, 1914, as The Nevada-California Electric Corporation. Its name was changed to California Electric Power Company in 1941.

Applicant is engaged principally in the generation, purchase, transmission, distribution and sale of electric energy. The territory served covers areas in California, Nevada and Arizona. It also manufactures and sells ice in portions of Imperial County and Riverside County. Interstate Telegraph Company, a wholly-owned subsidiary of applicant, supplies telephone and telegraph service in California and Nevada. Hydro-Electric Securities Company, also a wholly-owned subsidiary of applicant, owns all of the outstanding stock of three corporations organized under the laws of Mexico. One is engaged in the transmission, distribution and sale of electric energy in parts

of the Territory of Lower California and the State of Sonora in Mexico. A second manufactures and sells ice in the City of Mexicali in Mexico, while the third owns property used by the second.

For 1945 applicant reports consolidated utility and non-utility operating revenues of \$7,188,497, segregated as follows:

Electric revenues	\$5,383,767
Telephone and telegraph revenues	689,456
Cold storage revenue	6,472
Revenue from sale of ice, etc.	1,108,802

The above figures do not include any operating revenues of the subsidiaries of Hydro-Electric Securities Company.

Applicant has filed with the Securities and Exchange Commission a registration statement covering the issue of said \$16,000,000 of bonds and 169,636 shares of common stock. It proposes to sell both the bonds and the stock under competitive bids.

Applicant on December 31, 1945, had outstanding the following securities:

Common stock, 950,117 shares, par value per share \$1 -- stated value	\$ 3,691,719
\$3 Cumulative preferred stock, 104,963 shares, par value per share \$50	5,248,150
5½% Convertible prior preferred stock, 20,138 shares, par value per share \$100	2,013,000
Premium received on sale of convertible prior preferred stock	50,345
First mortgage bonds, 3½%, due Oct.1, 1968	16,000,000
Long-term installment contract	59,476

Since December 31, 1945, applicant has retired by conversion into common stock or by redemption, all of its 5½% cumulative convertible prior preferred stock. Because of such conversion 237,336 shares of additional common stock have been issued since December 31, 1945.

As said, applicant has outstanding \$16,000,000 of 3½% bonds due October 1, 1968. These bonds were sold by the company in 1943 at 101½% of their face value plus accrued interest and were offered to the public at 103½% of their face value and accrued interest. The bonds are redeemable at the option of the company upon the payment of 106½% of the principal amount thereof and accrued interest. It is the company's intention, if it sells said 169,636 shares of common stock, to redeem the bonds.

Upon redeeming said \$16,000,000 of bonds, applicant must pay a premium of \$1,000,000. It estimates its expenses in connection with the issue of the bonds and stock at \$130,000, making a total expenditure of \$17,130,000.

The \$16,000,000 of bonds which applicant requests permission to issue are due June 1, 1976. Each bond bid must specify the coupon rate of the bonds, which shall be a multiple of 1/8 of 1%, and shall not exceed 3%. The price to be paid to the company for the bonds shall not be less than 104% of the principal amount of the bonds, plus accrued interest from June 1, 1946, to the date of payment therefor and delivery thereof. Applicant will not accept any bid for the bonds unless it also accepts a bid for the common stock. It may, however, accept a bid for the common stock whether or not it accepts a bid for the bonds. Under the formula fixing the regular redemption prices for the bonds, the initial redemption price will be slightly

3 points over the offering price.

The payment of the bonds will be secured by the applicant's trust indenture (first mortgage) dated October 1, 1943, as modified by the first supplemental indenture of the same date, and the proposed second supplemental indenture on file in this application as Exhibit "C". The primary purpose of the second supplemental indenture is to create the new issue of bonds and define the terms and conditions under which they are being issued. We have examined the proposed second supplemental indenture and find it to be in satisfactory form.

Applicant, as said, intends to sell said bonds through competitive bidding. It therefore is not now in a position to advise the Commission of the price it will receive for the bonds. It is asking for a preliminary order authorizing it to issue the bonds for the reason that such an order will be helpful to it in amending its registration statement and have it declared effective for the purpose of calling for bids for its bonds and stock. Upon being advised of the price at which applicant proposes to sell the bonds, the Commission will enter an appropriate supplemental order in this application.

#### ORDER

California Electric Power Company having applied to the Commission for permission to issue \$16,000,000 of bonds, Series of 1976, and the Commission having considered applicant's request and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by applicant through the issue of

said \$16,000,000 of bonds is reasonably required by applicant for the purpose herein stated, that the expenditures for such purpose, other than the payment of accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted to the extent indicated herein, therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may, after the effective date hereof and on or before August 1, 1946, issue and sell \$16,000,000 of First Mortgage Bonds due June 1, 1976. California Electric Power Company shall use the proceeds, exclusive of accrued interest, realized from the sale of said bonds to pay in part its outstanding \$16,000,000 of first mortgage 3½% bonds. The accrued interest may be used by applicant for general corporate purposes.

2. California Electric Power Company may execute and deliver a supplemental indenture in, or substantially in, the same form as the supplemental indenture filed in this application as Exhibit "C".

3. The authority herein granted will become effective when the Railroad Commission has entered a supplemental order fixing the price at which California Electric Power Company may sell said bonds.

4. California Electric Power Company shall file with the Railroad Commission within thirty (30) days after the issue and sale of said bonds, a complete copy of its registration statement filed with the Securities and Exchange Commission, including the exhibits referred to therein.

5. California Electric Power Company shall file with the Railroad Commission a report, or reports, required by the Commission's General Order No. 24-A which order, insofar as applicable, is made a part of this order.

6. California Electric Power Company shall, on or before December 31, 1946, file with the Railroad Commission a statement showing in detail the expenses incurred because of the issue and sale of said bonds and the redemption of its outstanding first mortgage bonds.

Dated at San Francisco, California, this 28<sup>th</sup> day of May, 1946.

Harold Anderson

Justus J. Cooney

James W. O'Brien

Lyons H. Powell

Harold P. Kula

Commissioners