

ORIGINAL

Decision No. 41618

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
CALIFORNIA ELECTRIC POWER COMPANY	:	
Under Section 52 of the Public)	Application
Utilities Act.	:	No. 29347
-----)	

O P I N I O N

This is an application for an order of the Public Utilities Commission authorizing California Electric Power Company to issue and sell \$2,500,000 of First Mortgage Bonds, _____% Series due 1978, at a price to be determined by competitive bidding, for the purpose of paying outstanding indebtedness and of financing in part the construction, completion, extension or improvement of its facilities or the acquisition of property.

California Electric Power Company is engaged principally in the business of supplying electric energy to the public in portions of the Counties of Mono, Inyo, Kern, San Bernardino and Riverside, in the State of California, and in the Counties of Nye and Esmeralda, in the State of Nevada, and in manufacturing and selling ice in portions of Imperial and Riverside Counties. Subsidiary companies supply telephone and telegraph service in portions of California and Nevada.

For 1947, the company and its subsidiaries report operating revenues of \$8,500,831 segregated as follows:

Electric	\$6,800,517
Telephone and telegraph	731,355
Cold storage	6,174
Sale of ice, etc. (nonutility)	962,785

Its gross income for 1947, that is, the amount available for interest and other fixed charges, dividends and surplus, is reported at \$1,853,036. Its interest and other fixed charges amounted to \$441,295, its preferred stock dividends to \$380,306, its common stock dividends to \$808,133, leaving \$223,302 for surplus.

The company reports the investment in electric properties at \$35,552,343, in telephone and telegraph properties at \$2,957,857, and in ice and miscellaneous properties at \$3,837,139, making a total of \$42,347,339, with related reserves for depreciation of \$9,422,408. It reports its outstanding funded debt and capital stock, as of April 30, 1948, as follows:

Funded debt -

First mortgage bonds, 3% series, due 1976	\$16,000,000
Promissory note, 2½%, due Feb. 13, 1949	1,200,000
Installment contract, 3½%	44,592

Capital Stock -

Cumulative preferred stock, \$50 par value -	
\$3.00 preferred stock, 104,963 shares	5,248,150
\$2.50 preferred stock, 60,000 shares	3,000,000
Common stock, \$1 par value, 1,357,089 shares	<u>7,769,855</u>
Total	<u>\$33,262,597</u>

The outstanding promissory note of \$1,200,000 was issued on March 15, 1948, under the terms of a loan agreement with Bank of America National Trust and Savings Association which provided for a maximum credit to applicant of \$7,000,000. The issue of notes, pursuant to the loan agreement, in the aggregate amount

of \$7,000,000 was authorized by Decision No. 41512, dated April 27, 1948, in Application No. 29261, for the purpose of paying indebtedness and of financing in part construction expenditures to be made during 1948 and 1949. In addition to the note for \$1,200,000 now outstanding, the company reports that it intends to borrow an additional \$800,000 during May, 1948, on a one-year note, for 1948 construction purposes.

In order to finance more permanently its expenditures the company now proposes to create a new series of bonds, referred to as First Mortgage Bonds, _____% Series due 1978, and to issue and sell \$2,500,000 of said bonds for the purpose of obtaining funds to pay the two notes referred to in the preceding paragraph, and to finance in part its construction program. A copy of the company's proposed third supplemental indenture defining the terms of the bonds is on file in this application. Its execution will be authorized by the order herein. The company estimates its construction expenditures during 1948 and 1949 at \$9,127,000, segregated as follows:

	<u>1948</u>	<u>1949</u>
Electric -		
Production	\$ 106,000	\$ 88,000
Transmission	629,000	850,000
Distribution	2,778,000	2,384,000
General	275,000	248,000
Total electric	<u>3,788,000</u>	<u>3,570,000</u>
Telephone	705,000	733,000
Ice	<u>208,000</u>	<u>123,000</u>
Total	<u>\$4,701,000</u>	<u>\$4,426,000</u>

The company is considering the issue of \$1,500,000 of preferred stock. It anticipates that the net proceeds from the sale of the bonds covered by the present application and the net

proceeds from the sale, if made, of such stock, will be sufficient, along with funds from internal sources, to retire its bank loans and to meet its construction requirements during 1948. As to 1949, it estimates that additional financing will be required for approximately two-thirds of the estimated costs.

As stated, the company proposes to offer the new bonds for sale at competitive bidding, pursuant to the procedure outlined in its registration statement and in Exhibit "E" on file in this application. It clearly appears that it has need for the additional funds and an order will be entered in this proceeding authorizing the issue and sale of the bonds. Such order, however, will not become effective until the Commission, by a supplemental order, has fixed the price at which the bonds may be sold.

Q R D E R

The Public Utilities Commission of the State of California having considered the above entitled application and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of \$2,500,000 of bonds is reasonably required by California Electric Power Company for the purposes specified herein, and that the expenditures for said purposes, other than accrued interest and the payment of expenses incident to the issue and sale of the bonds, are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company, after the effective date hereof and on or before August 31, 1948, may issue and sell at a price to be fixed by a supplemental order, \$2,500,000 principal amount of First Mortgage Bonds, _____% Series due 1978, said bonds to be sold in conformity with the competitive bidding procedure outlined in its registration statement and in Exhibit "E" on file in this application. The invitation for bids to purchase said bonds shall be published at least six (6) days prior to the date fixed for the opening of bids. Pending the preparation of definitive bonds, the company may issue temporary bonds in the aggregate face amount of \$2,500,000 under the same terms and conditions as those under which it is authorized to issue definitive bonds, and thereafter to exchange said temporary bonds for definitive bonds.

2. California Electric Power Company shall use the proceeds, other than the accrued interest, received from the issue of said \$2,500,000 of bonds, to pay expenses incident to the issue and sale of said bonds (estimated by the company at about \$30,000), to pay outstanding notes of \$2,000,000 issued pursuant to the loan agreement referred to in the preceding opinion, and to finance in part its 1948 construction expenditures. The accrued interest may be used for general corporate purposes.

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

4. The authority herein granted to issue and sell said bonds will become effective when the Commission, by supplemental order, has fixed the price at which they may be sold and when the company has paid the fee prescribed by Section 57 of the Public

Utilities Act, which fee is five hundred (\$500.00) dollars. All other authority herein granted is effective upon the date hereof.

5. California Electric Power Company shall file with the Commission a report, or reports, of the issue of said bonds and of the disposition of the proceeds, the first report to be filed on or before September 30, 1948, and subsequent reports, if any, to be filed monthly thereafter until all the proceeds have been expended. It shall also file, on or before November 30, 1948, a report showing in some detail the expenses incurred in connection with the issue and sale of said bonds.

6. Within thirty (30) days after the issue and sale of said bonds, California Electric Power Company shall file with the Public Utilities Commission a complete copy of the registration statement filed with the Securities and Exchange Commission, except the exhibits referred to therein which heretofore have been filed with the Public Utilities Commission.

Dated at San Francisco, California, this 25th day of May, 1948.

R. J. [unclear]
Justin F. Galvan
W. H. [unclear]
Harold A. [unclear]
Kenneth Potter
Commissioners

