

Decision No. 41735

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA ELEC-)	
TRIC POWER COMPANY for authority	:	Application
to issue 75,000 shares of Con-)	No. 29414
vertible Preference Stock.	:	
-----)	

O P I N I O N

In this application, California Electric Power Company asks permission to issue and sell, at \$20 per share, for the purposes hereafter stated, 75,000 shares (\$1,500,000 par value) of 5-1/2% convertible preference stock, and issue such number of shares of common stock as may be issuable from time to time upon conversion of said preference stock.

The Commission by Decision No. 41712, dated June 15, 1948, exempted the issue and sale of the 75,000 shares of convertible preference stock from the provisions of Decision No. 38614, dated January 15, 1946. In that decision the Commission set forth the reason why, in its opinion, it has jurisdiction over the issue of the 75,000 shares of convertible preference stock.

Applicant is a corporation organized under the laws of the State of Delaware. It is engaged principally in the generation, transmission and distribution of electric energy to the public in the Counties of Mono, Inyo, Kern, San Bernardino, Riverside and Imperial, in the State of California, and in the Counties of Nye and Esmeralda, in the State of Nevada. It engages also in the manufacture and sale of ice in portions of Imperial and Riverside Counties, California. Its wholly owned subsidiary, Interstate

Telegraph Company, supplies telephone and telegraph service in California and Nevada, principally in the same territory in California served by Applicant north of San Bernardino. The United Farmers Telephone and Telegraph Company, a wholly owned indirect subsidiary of Applicant, supplies telephone and telegraph service in and around Gardnerville and Minden, Nevada, and in a part of the resort area on the Nevada shore of Lake Tahoe, and in and around Markleeville, Alpine County, California.

Applicant as of June 15, 1948, reports its outstanding funded debt and capital stock as follows:

Funded Debt:

First mortgage bonds, 3% due 1976	\$16,000,000
First mortgage bonds, 3% due 1978	2,500,000
Installment contract, 3 $\frac{1}{2}$ %	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 (1)	7,769,855

(1) Includes 10,200 shares owned by Applicant's wholly owned subsidiary -- The Hydro Electric Securities Company.

Applicant estimates its construction expenditures for 1948 at \$4,701,000, segregated as follows:

Electric -	
Production	\$ 106,000
Transmission	629,000
Distribution	2,778,000
General	<u>275,000</u>
Total Electric	3,788,000
Telephone	705,000
Ice	<u>208,000</u>
Total	<u>\$4,701,000</u>

To finance in part its 1948 construction expenditures, Applicant has recently issued \$2,500,000 of first mortgage bonds, 3% series due 1978.

Applicant's Articles of Incorporation have been amended to provide for an issue of 500,000 shares of preference stock of the par value of \$20 a share. The preference stock is issuable in one or more series and may be created by resolutions of the Board of Directors of Applicant. The Directors have established a Series of preference stock which initially is limited to 75,000 shares of 5-1/2% convertible preference stock. The holders of the stock are entitled to receive cumulative dividends, subject to the prior rights of the holders of Applicant's preferred stock. The 75,000 shares of convertible preference stock are redeemable, in whole or in part, from time to time at the option of Applicant, on thirty days' notice, at a price per share as follows: \$21 per share if redeemed before July 1, 1953; \$20.75 per share if redeemed on or after July 1, 1953, and before July 1, 1958, and \$20.50 per share if redeemed thereafter, plus in each case unpaid preferential dividends accrued to the date of redemption. The 75,000 shares of convertible preference stock are convertible, at the option of the holders thereof, at any time or from time to time on or before July 1, 1958, into fully paid and non-assessable shares of common stock. The initial conversion basis shall be two and one-half shares of common stock for each share of convertible preference stock.

Applicant asks permission to issue and sell the 75,000 shares of convertible preference stock at \$20 per share and issue such number of shares of common stock as may be issuable, from time to time upon conversion of said 75,000 shares of convertible preference stock. It estimates its expenses incident to the issue of the 75,000 shares of convertible preference stock at \$26,000, plus \$1.40 per share for underwriters' commission. Applicant asks permission to use the proceeds from the sale of the 75,000 shares of convertible preference stock to pay its expenses incident to the issue of the

stock, and to pay in part its 1948 construction expenses.

The application shows that Applicant has need for the funds which it will realize from the sale of the 75,000 shares of convertible preference stock.

O R D E R

The Public Utilities Commission has considered this application and is of the opinion that a public hearing thereon is not necessary; that the money, property or labor to be procured or paid for by California Electric Power Company through the issue of the 75,000 shares of convertible preference stock is reasonably required by Applicant for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may issue and sell, on or before July 31, 1948, at \$20 per share, flat, 75,000 shares of 5-1/2% convertible preference stock, such sale to be made pursuant to the terms of the underwriting agreement on file in this application.

2. California Electric Power Company shall use the proceeds from the sale of said 75,000 shares of convertible preference stock to pay its expenses incident to the issue of said shares of stock, and to finance in part its construction expenditures, to which reference is made in the foregoing opinion.

3. California Electric Power Company may issue such number of shares of common stock upon conversion of said shares of

convertible preference stock, as may be required from time to time for such purposes.

4. California Electric Power Company shall file with the Commission, within six (6) months after the issue and sale of said 75,000 shares of convertible preference stock, a statement showing:

- (a) The price at which said shares of stock were sold;
- (b) The names of those to whom Applicant sold said shares of stock, and the number of shares sold to each underwriter;
- (c) The purposes for which Applicant expended or will expend the proceeds from the sale of said shares of stock; and,
- (d) In detail, Applicant's expenditures incident to the issue and sale of said 75,000 shares of convertible preference stock.

5. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 22nd day of June, 1948.

B. Z. Dunning
Justice J. Calver
Frank L. Luce
Harold P. Huls
Samuel J. Gutter
Commissioners