

Decision No. 42482

ORIGINAL

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
UTILITIES ACT.

Application
No. 29976

Douglas L. King and Donlic J. Carman, for Applicant;
O'Melveny & Myers, by Harry L. Dunn and Frederick N. Edwards, for possible underwriters.

O P I N I O N

In this application, California Electric Power Company asks permission to issue and sell, for the purposes hereafter stated \$9,000,000 principal amount of its first mortgage bonds 3% Series due 1975.

Applicant 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. It also manufactures and sells ice in portions of Imperial and Riverside Counties of California. Applicant owns all the outstanding stock and bonds of Interstate Telegraph Company which supplies telephone and telegraph service in California and Nevada, principally in the same territory in which applicant sells electric energy 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 about Gardnerville and Minden, Nevada, in a part of the resort area on the Nevada shore of Lake Tahoe and in and

around Markleeville, Alpine County, California.

For the year ended October 31, 1948 applicant and its subsidiaries, in Exhibit "1", report operating revenues of \$9,557,142 segregated as follows:

Electric	\$7,761,546
Telephone and Telegraph	853,589
Ice sales	<u>942,007</u>
Total	\$9,557,142

The foregoing figures do not include the operating revenues of applicant's four wholly owned subsidiaries which are incorporated and operate in Mexico. The operating revenues of the four companies for the period mentioned are reported at \$689,616.

Applicant's gross income for the year ended October 31, 1948, that is the amount available for interest and other fixed charges, dividends and surplus is reported at \$2,005,173. Its interest and other fixed charges amounted to \$501,717, its preferred stock dividends to \$485,889, its common stock dividend to \$814,253.40 leaving for surplus \$203,313.60.

Applicant's consolidated balance sheet as of October 31, 1948 shows assets and liabilities as follows:

<u>Assets</u>	
Properties:	
Utility properties:	
Property, plant, and equipment	\$41,667,771
Intangible assets	50,106
Total	<u>\$41,717,877</u>
Less reserve for depreciation	7,673,577
Total utility properties-Net	<u>\$34,044,300</u>
Ice and miscellaneous properties:	
Property, plant, and equipment	\$ 3,964,638
Intangible assets	76,627
Total	<u>\$ 4,041,315</u>
Less reserve for depreciation	1,974,134
Total ice and miscellaneous properties-Net	<u>\$ 2,066,381</u>
Total properties-Net	<u>\$36,111,181</u>

Investments in subsidiary companies not consolidated-Net		\$ 818,238
Other security investments		14,971
Cash on deposit with trustee for redemption of bonds		12,970
Claim for refund of federal taxes on income		69,920
Current assets		5,535,241
Cash on hand demand deposits		
working funds	\$1,946,040	
U.S. Government Securities	2,738	
Materials & Supplies	1,603,909	
Manufactured ice	7,333	
Unbilled revenues, estimated	200,534	
Accounts and notes receivable	1,143,321	
Prepayments	631,366	
Deferred charges		113,986
Total assets		<u>\$42,676,507</u>
 <u>Liabilities</u>		
Capital stock		\$17,518,005
Preferred \$3 Series 104,963 shares	5,248,150	
Preferred \$2.50 Series 60,000 shares	3,000,000	
Preference stock 5 $\frac{1}{2}$ % convertible 75,000 shares	1,500,000	
Common 1,346,889 shares	7,769,855	
Long-term debt		13,567,530
First mortgage bonds 3's 1976	16,000,000	
First mortgage bonds 3's 1978	2,500,000	
Installment contract	37,151	
Annuity contract	30,379	
Current liabilities		3,173,493
Amount due in one year on installment contract and annuity contract	9,482	
Accounts payable	547,674	
Accrued wages	154,761	
Customers deposits	47,514	
Taxes payable and accrued	1,661,348	
Accrued interest	233,488	
Dividends payable	280,756	
Other current & accrued liabilities	38,470	
Deferred credits		1,125,264
Premium on first mortgage bonds due 1976	446,031	
Customers advances for construction	536,642	
Other deferred credits	142,591	
Reserves		240,223
Contributions in aid of construction		465,653
Capital surplus		51,498
Earned surplus		1,534,811
Total liabilities		<u>\$42,676,507</u>

Applicants capitalization ratios on October 31, 1948

were as follows:

Long term debt	48.8
Preferred stock	25.6
Common stock and surplus	25.6
Total	<u>100.0</u>

In Exhibit "1" applicant reports its cash construction requirements for 1949 and 1950 as follows:

	<u>Estimated Construction Expenditures</u>	
	<u>1949</u>	<u>1950</u>
Electric- Production	\$ 225,000	\$ 100,000
Transmission	395,000	800,000
Distribution	3,489,000	2,900,000
General	291,000	300,000
Total Electric	<u>4,400,000</u>	<u>4,100,000</u>
Telephone	1,100,000	850,000
Ice	100,000	50,000
Total	<u>\$5,600,000</u>	<u>\$5,000,000</u>

The testimony shows that applicant borrowed \$500,000 from Bank of America National Trust and Savings Association to finance in part, said construction expenses. To obtain funds to pay said note and to pay in part said construction expenses, applicant asks permission to issue and sell, through competitive bidding, \$3,000,000 principal amount of its first mortgage bonds, 3% Series due 1978. Applicant will, in a supplemental application advise the Commission of the price at which it desires to sell the bonds. It asks the Commission to shorten to six days the time between the publication of an invitation for bids and the opening of the bids. The testimony shows that representatives of three groups of underwriters have evinced an interest in bidding for the bonds.

O R D E R

The Public Utilities Commission of the State of California having considered the testimony offered at the hearing had on this application, and being of the opinion that the money, property or labor to be procured or paid for through the issue of said \$3,000,000 of bonds is reasonably required by California Electric Power Company, for the purposes specified herein and

that the expenditures for such purposes, other than accrued interest and the payment for expenses incident to the issue and sale of said bonds are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company, after the effective date hereof and on or before March 31, 1949, may issue and sell, at a price to be fixed by a supplemental order, \$3,000,000 principal amount of its first mortgage bonds, 3% Series due 1978, said bonds to be offered for sale in substantial conformity to the competitive bidding procedure outlined in Exhibit "4" on file in this application. The invitation for bids to purchase said bonds shall be published at least six days prior to the date fixed for the opening of the bids. Pending the preparation of definitive bonds, the company may issue temporary bonds of the aggregate face amount of \$3,000,000 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 \$3,000,000 of bonds to pay expenses incident to the issue and sale of said bonds estimated by the company at about \$26,353 to pay outstanding notes of \$500,000 and to finance, in part, its 1949 construction expenditures described in Exhibit "1". The accrued interest may be used for general corporate purposes.

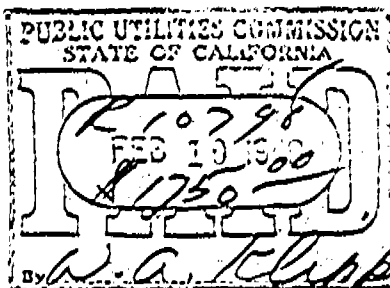
3. The authority herein granted to issue and sell said bonds will become effective when the Commission, by supplemental order has fixed the price at which they may be sold, and when

the company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$1,750. All other authority herein granted is effective upon the date hereof.

4. 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 April 1, 1949 and subsequent reports to be filed monthly thereafter until all proceeds have been expended. It shall also file, on or before September 30, 1949, a report showing in some detail the expenses incurred in connection with the issue and sale of said bonds.

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

Dated at San Francisco, California; this 8th day of February 1949.



BY W. A. Klippel

R. Z. [Signature]
Justice F. C. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners