

Decision No. 44882

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA ELECTRIC POWER COMPANY :
for authority to issue and sell)
\$4,000,000 principal amount First :
Mortgage Bonds, 2-7/8% Series due)
1980 and \$2,000,000 principal amount :
of _____% Debentures, due 1960.)
----- :

Application
No. 31783

O P I N I O N

California Electric Power Company has filed this application with the Commission for an order authorizing it to issue and sell \$4,000,000 principal amount of its First Mortgage Bonds, 2-7/8% Series due 1980, and \$2,000,000 of ten-year Debentures. Applicant intends to invite bids for the purchase of said bonds and debentures, the successful bidder in the case of the debentures to specify the interest rate.

Applicant is a corporation organized under the laws of the State of Delaware, and is engaged principally in the business of supplying electric energy in portions of the Counties of Mono, Inyo, Kern, San Bernardino and Riverside, in California, and in the Counties of Nye and Esmeralda, in Nevada.⁽¹⁾ In financial statements filed with the Commission applicant has reported its operating revenues at \$7,978,074 in 1948, at \$8,954,011 in 1949, and at \$5,330,606 for the first seven months of 1950. In Exhibit B filed in this proceeding it reports its assets and liabilities, as of July 31, 1950, as follows:

(1)

By Decision No. 44795, dated September 19, 1950, the Commission authorized the transfer to applicant of the properties of Interstate Telegraph Company, a wholly-owned subsidiary engaged in the telephone and telegraph business in portions of the same area in which applicant distributes electricity.

Assets

Utility plant	\$43,435,442	
Less-depreciation reserves	<u>7,729,684</u>	
Utility plant less reserves		\$35,705,758
Other physical property		2,004,322
Investment in associated companies		5,412,886
Current assets -		
Cash and deposits	1,018,537	
Temporary cash investments	3,306,342	
Accounts receivable	1,502,769	
Materials and supplies	1,131,594	
Prepayments	<u>64,510</u>	
Total current assets		7,023,752
Deferred debits		<u>142,870</u>
Total		<u>\$50,289,588</u>

Liabilities

First mortgage bonds		\$23,500,000
Miscellaneous long-term debt		29,709
Current liabilities -		
Accounts payable	\$ 774,342	
Matured debt and interest	29,101	
Customers' deposits	50,283	
Accrued interest and taxes	1,282,638	
Other items	<u>12,703</u>	
Total current liabilities		2,149,067
Deferred credits		1,112,228
Operating reserves		347,998
Contributions in aid of construction		493,970
Preferred stock		10,865,510
Equity capital -		
Common stock	8,504,357	
Premiums on stock	1,273,500	
Surplus	<u>2,013,249</u>	
Total equity capital		<u>11,791,106</u>
Total		<u>\$50,289,588</u>

Applicant now is undertaking to sell \$2,000,000 par value of preferred stock pursuant to authority granted by the Commission by Decision No. 44762, dated September 11, 1950. It reports that it will have need for additional funds from the issue of securities and that it proposes to use the proceeds to be obtained from the issue of said preferred stock, together with the proceeds from the bonds and debentures covered by this application, to meet the increased requirements resulting from continued growth of population and business in its service area during 1951 and 1952, and to provide the cost of a new 60,000 kilowatt steam plant to be built near San

Bernardino. In summary form, its estimated expenditures for the two years and the sources of funds to meet such expenditures are indicated below:

<u>Expenditures</u>	<u>1951</u>	<u>1952</u>	<u>Total</u>
Electric division -			
General construction	\$3,700,000	\$3,300,000	\$ 7,000,000
Steam plant	<u>2,800,000</u>	<u>4,200,000</u>	<u>8,000,000</u>
Total electric division	7,500,000	7,500,000	15,000,000
Telephone division	800,000	900,000	1,700,000
Ice division	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total expenditures	<u>\$8,400,000</u>	<u>\$8,500,000</u>	<u>\$16,900,000</u>
<u>Sources of Funds</u>			
Treasury cash and earnings			\$ 4,100,000
Approximate proceeds from securities -			
Preferred stock			2,000,000
Proposed issue of bonds			4,000,000
Proposed issue of debentures			2,000,000
Temporary bank loans			<u>4,800,000</u>
Total sources of funds			<u>\$16,900,000</u>

Applicant's balance sheet shows that heretofore it has financed its capital requirements primarily through the issue of first mortgage bonds, preferred stock and equity capital. The relative amounts of these sources of funds as of July 31, 1950, and the relative amounts giving effect to the proposed additional issues of securities are as follows:

	<u>Books</u> <u>July 31, 1950</u>	<u>Pro Forma</u> <u>July 31, 1950</u>
Bonds	51%	47%
Debentures	-	3
Bank loans	-	8
Preferred stock	24	22
Equity capital	<u>25</u>	<u>20</u>
Total	<u>100%</u>	<u>100%</u>

A review of the application clearly indicates that applicant will have need for additional funds from the issue of its securities to enable it to proceed with its construction program. Accordingly, a preliminary order is warranted at this time on applicant's request. At a later date applicant will file with the

Commission for its further consideration a supplemental application stating the results of its invitation for bids and the prices at which it proposes to dispose of its bonds and debentures.

Applicant asks the Commission to shorten to seven days the time between the publication of the invitation for its bids and the time fixed for opening the same.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon 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 the bonds and debentures herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes 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 December 31, 1950, may issue and sell, at prices hereafter to be fixed by the Commission, not exceeding \$4,000,000 principal amount of First Mortgage Bonds, 2-7/8% Series due 1980, and \$2,000,000 principal amount of ten-year Debentures, said bonds and debentures to be offered for sale at competitive bidding as outlined in this proceeding. The invitation for bids shall be published at least seven days prior to the date or dates fixed for opening of the bids.

2. California Electric Power Company, after the date hereof and on or before December 31, 1950, may execute an indenture

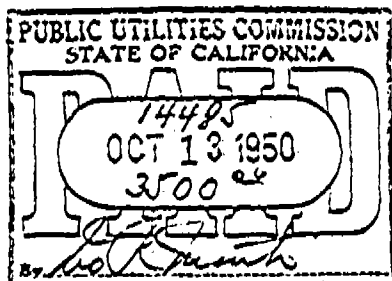
dated October 1, 1950, providing for the issue of debentures, in substantially the same form as that filed in this proceeding.

3. The authority herein granted to issue and sell said bonds and debentures will become effective when the Commission by a supplemental order, or orders, has fixed the prices at which applicant may sell the same, and when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act. In all other respects, the authority herein granted is effective upon the date hereof.

4. Applicant shall use the proceeds to be received through the issue and sale of said bonds and debentures for the purposes set forth in this application.

5. Within sixty (60) days after the issue and sale of said bonds and debentures, applicant shall file with the Commission a report, or reports, showing the names of those to whom they were sold, the prices at which sold, the expenses incurred in connection with the sale, and the account, or accounts, to which said expenses were charged, together with two (2) copies of its prospectus and two (2) copies of the indenture as executed under the authority herein granted.

Dated at San Francisco, California, this 10th day of October, 1950.



R. E. Thompson
Justice S. Coleman
August D. Russell
Harold P. Hulse
Frederick L. Potter
Commissioners