

ORIGINAL

Decision No. 48358

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)
136,249 Shares of Common Stock and)
\$8,000,000 Principal Amount First)
Mortgage Bonds, _____% Series due 1983.)
-----)

Application
No: 34105

O P I N I O N

California Electric Power Company has filed this application for authorization to issue and sell 136,249 shares of its common stock of the par value of \$1 each and \$8,000,000 in principal amount of its first mortgage bonds. It intends to offer said shares of common stock and bonds for sale at competitive bidding.

The application shows that the proceeds from the sales will be used to pay short-term bank loans and to finance the cost of construction. Information on file with the Commission shows that applicant and its subsidiaries have been engaged in a continuing program of expansion of facilities, that the number of active electric accounts has increased from 50,143 at the close of 1948 to 67,608 at the close of 1952, the total operating revenues, including the electric, telephone, telegraph, ice, cold storage and nonutility revenues, from \$9,819,038 during 1948 to \$15,496,666 during 1952, and the investment in properties from \$46,256,073 on December 31, 1948, to \$73,150,192 on December 31, 1952, and that it is faced with further substantial expenditures during 1953 and 1954 in amounts estimated as follows:

| | Estimated | |
|----------------|---------------------|--------------------|
| | <u>1953</u> | <u>1954</u> |
| Electric: | | |
| Production | \$ 5,120,000 | \$2,280,000 |
| Transmission | 1,554,000 | 1,270,000 |
| Distribution | 3,225,000 | 3,950,000 |
| General | 382,000 | 400,000 |
| Total electric | <u>\$10,281,000</u> | <u>\$7,900,000</u> |
| Telephone | 931,000 | 890,000 |
| Ice | <u>67,000</u> | <u>75,000</u> |
| Total | <u>\$11,279,000</u> | <u>\$8,865,000</u> |

It appears that most of the electric production expenditures have been or are expected to be made at applicant's Highgrove Steam Plant near San Bernardino. Two units of 30,000 kilowatts each were completed and placed in service during 1952, and a third unit of 40,000 kilowatts is under construction and scheduled for completion late in 1953. In general, the other electric, as well as the telephone expenditures, are said to be required to meet the growth in business.

It has been applicant's practice to finance itself in part through the issue of short-term bank loans and thereafter, from time to time, to issue long-term debt and shares of stock, both common and preferred, to finance permanently the expenditures for plant. Presently, it has outstanding \$6,250,000 of notes payable to Bank of America National Trust and Savings Association and it proposes, and asks authorization, to liquidate such notes with proceeds from the securities covered by this application and to disburse the remainder of such proceeds for construction purposes. It estimates that the securities it now proposes to issue, along with internal funds, will enable it to meet construction requirements until the middle of 1953 and it plans to take care of new money requirements during the remainder of the year by short-term bank loans. It expects that it will be indebted on such account in the amount of \$4,250,000 at the close of the year.

A consolidated statement of income filed in this proceeding shows operating revenues and net income for the last two calendar years as follows:

| | <u>1951</u> | <u>1952</u> |
|---|---------------------|---------------------|
| Utility operating revenues - | | |
| Electric | \$11,201,859 | \$12,611,262 |
| Telephone and telegraph | 1,438,089 | 1,769,353 |
| Cold storage | 4,925 | 4,017 |
| Total utility operating revenues | <u>12,644,873</u> | <u>14,584,632</u> |
| Nonutility revenues | 839,665 | 912,034 |
| Total revenues | <u>\$13,484,538</u> | <u>\$15,496,666</u> |
| Net income after provision for income taxes | <u>\$ 1,605,833</u> | <u>\$ 2,735,940</u> |

Since June 1, 1945, applicant has paid annual dividends on its outstanding shares of common stock at the rate of 60 cents a share.

A summary statement of the consolidated balance sheet as of December 31, 1952, of applicant and its subsidiary companies, is as follows:

Assets

| | | |
|----------------------------|-------------------|---------------------|
| Plants and properties - | | |
| Electric | \$61,731,960 | |
| Telephone and telegraph | 7,408,508 | |
| Ice and miscellaneous | 4,009,724 | |
| Total | <u>73,150,192</u> | |
| Less-depreciation reserves | <u>11,434,728</u> | |
| Remainder | | \$61,715,464 |
| Other investments | | 1,747,559 |
| Current assets | | 5,943,458 |
| Deferred charges | | <u>243,529</u> |
| Total | | <u>\$69,650,010</u> |

Liabilities

| | |
|---------------------|---------------------|
| Long-term debt | \$29,514,825 |
| Current liabilities | 8,297,196 |
| Deferred credits | 2,438,119 |
| Preferred stock | 10,248,150 |
| Common stock | 16,100,792 |
| Surplus | <u>3,050,928</u> |
| Total | <u>\$69,650,010</u> |

The long-term debt includes bonds of several series, debentures and installment contracts as follows:

| | |
|-------------------------|---------------------|
| First mortgage bonds: - | |
| 3 % Series due 1976 | \$16,000,000 |
| 3 % Series due 1978 | 5,500,000 |
| 2-7/8% Series due 1980 | 6,000,000 |
| | <u>27,500,000</u> |
| Debentures-3% due 1960 | 2,000,000 |
| Installment contract | 14,825 |
| | <u>14,825</u> |
| Total | <u>\$29,514,825</u> |

Applicant now proposes to execute a supplemental indenture defining the terms of a new series of first mortgage bonds due 1983. The interest rate will be determined by the competitive bidding for the purchase of such bonds.

Upon reviewing this application and the financial statements of record in the proceeding, we are of the opinion that we are warranted in entering a preliminary order at this time authorizing applicant to issue additional shares of common stock and bonds in accordance with its application. The authority thus granted will not become effective until applicant has filed a supplemental application, or applications, setting forth the prices at which it intends to dispose of its shares of stock and bonds and has received an order, or orders, from the Commission approving the sales at those prices.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that a preliminary order should be entered at this time; that the money, property or labor to be procured or paid for by the issue of the shares of stock and the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, 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 may invite the submission of bids for the purchase of 136,249 shares of its common stock and \$8,000,000 in principal amount of its first mortgage bonds, the invitations for bids to be published at least seven days prior to the dates set for the respective openings of said bids.

2. California Electric Power Company may issue and sell said 136,249 shares of common stock and said \$8,000,000 in principal amount of its first mortgage bonds at prices hereafter to be fixed by the Commission in a supplemental order, or orders, in this proceeding, and may use the proceeds, other than accrued interest from the sale of the bonds, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

3. The authority herein granted to issue and sell shares of common stock will become effective when the Commission has entered a supplemental order fixing the price at which said shares may be sold. The authority herein granted to issue and sell bonds will become effective when the Commission has entered an order approving the execution of a supplemental indenture and fixing the price at which said bonds may be sold, and when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code. In other respects, the authority herein granted is effective upon the date hereof.

4. Within 60 days after the issue and sale of the bonds and stock herein authorized, applicant shall file with the Commission

three copies of each of its prospecti and a report showing the amount of bonds and stock issued and sold, the prices at which sold, the names of those to whom sold and the purposes for which the proceeds were used. Within six months after such issue and sale, applicant shall file a statement showing in some detail the expenses incurred by it incident thereto and the accounts to which such expenses were charged.

Dated at San Francisco, California, this 17th day of March, 1953.

R. F. [Signature]
President

Justus F. [Signature]
Harold [Signature]

[Signature]
[Signature]
Commissioners

