

ORIGINAL

Decision No. 50014

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 105,000)
shares of Cumulative Preferred Stock,)
Par Value \$50 Per Share, exempt from)
the Commission's competitive bidding)
rule established in Decision No. 38614,)
and for authority to issue and sell)
\$8,000,000 Principal Amount First)
Mortgage Bonds, _____% Series due)
1984, at competitive bidding.)
-----)

Application
No. 35352

Donald J. Carman, for applicant; James C. Greene,
for Merrill Lynch, Pierce, Fenner & Beane,
interested party.

O P I N I O N

California Electric Power Company filed this application on April 15, 1954, for authorization to issue and sell \$8,000,000 in principal amount of a new series of bonds at competitive bidding and to issue and sell 105,000 shares (\$5,250,000 par value) of a new series of preferred stock by means of a negotiated underwriting. It proposes to use the proceeds from the sale of said bonds and shares, together with treasury funds, to redeem outstanding securities.

A public hearing was held before Examiner Coleman in San Francisco on April 30, 1954, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant has financed itself primarily through the issue of bonds, debentures and shares of common and preferred stock and through the investment of surplus. Its capital structure, exclusive of short-term bank loans, as of February 28, 1954, was as follows:

| | <u>Amount</u> | <u>Total</u> | <u>Percent of Total</u> |
|---------------------------------|------------------|---------------------|-----------------------------|
| First Mortgage Bonds: | | | |
| 3% - 1976 | \$16,000,000 | | |
| 3% - 1978 | 5,500,000 | | |
| 2-7/8% - 1980 | 6,000,000 | | |
| 3-7/8% - 1983 | <u>8,000,000</u> | \$35,500,000 | 52.2% |
| Debentures 3% 1960 | <u>1,750,000</u> | <u>1,750,000</u> | <u>2.6</u> |
| Total Debt | | 37,250,000 | 54.8 |
| Preferred Stock (par \$50): | | | |
| \$3.00 Series (noncallable) | 5,248,150 | | |
| \$2.50 Series | 3,000,000 | | |
| \$2.50 Sinking Fund Series | <u>1,940,000</u> | 10,188,150 | 15.0 |
| Common Equity: | | | |
| Common Stock (2,490,934 shares) | 17,490,614 | | |
| Capital Surplus | 51,498 | | |
| Earned Surplus | <u>3,018,368</u> | <u>20,560,480</u> | <u>30.2</u> |
| Total | | <u>\$67,998,630</u> | <u>100.0%</u> |

The shares of common stock have a par value of \$1.00 and, according to the above tabulation, a book value of about \$8.25 each. For a number of years applicant has paid annual dividends of \$.60 on its outstanding common shares.

The record shows that applicant is taking steps to call for redemption the \$8,000,000 of 3-7/8% bonds and the \$4,940,000 of \$2.50 preferred stock of both series. The bonds are callable at 104.19% of the principal amount plus accrued interest, the \$2.50 preferred stock at \$53 a share and the \$2.50 sinking fund series of preferred stock at \$51.50 a share, plus accrued dividends in each case. The total call premium on both bonds and preferred shares will aggregate \$573,400.

In the light of existing market conditions applicant is of the opinion it can refund the securities, as proposed, through the issue of bonds and preferred shares carrying lower interest and dividend rates with resulting lower costs of money and savings in annual fixed charges. In addition, it asserts that it will realize other advantages in redeeming its presently outstanding \$2.50 preferred

stock. It will eliminate the sinking fund requirement of one of the series. It will have one larger outstanding series of preferred stock instead of two smaller series, which should permit it to list the new series on the American Stock Exchange and create a better market position for its preferred stock than now exists. This should be helpful in future financing transactions. In this connection applicant reports it will be called upon to expand its facilities and to sell an average of \$1,500,000 of new preferred stock each year for the next five years.

Applicant proposes to offer its new series of bonds for sale at competitive bidding, the interest rate as well as the price to be determined upon the opening of the bids. As to the new series of preferred stock, it seeks exemption from competitive bidding and it proposes, subject to receiving the requisite authorization, to sell the shares to a group of underwriters represented by Merrill Lynch, Pierce, Fenner & Beane.

From a review of the record it appears that applicant will improve its capital structure and should effect economies through the proposed refinancing. However, applicant has not completed its showing with respect to the proposed issue of shares of preferred stock and accordingly we will limit our order at this time to the proposed issue of bonds.

O R D E R

A public hearing having been held on the above entitled matter and the Commission having considered the evidence and being of the opinion that the money, property or labor to be procured or paid for by the issue of 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 publish an invitation for bids for the purchase of \$8,000,000 in principal amount of its first mortgage bonds not less than seven days prior to the date set for opening said bids and may issue and sell said \$8,000,000 of bonds at the price offered in said bids which will result in the lowest cost to applicant of the money to be obtained through the issue and sale of said bonds.

2. California Electric Power Company shall use the proceeds to be received from the issue and sale of said bonds for the purposes set forth in this application. The accrued interest on the sale of the bonds may be used for said purposes or for general corporate purposes.

3. California Electric Power Company may execute a Sixth Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding.

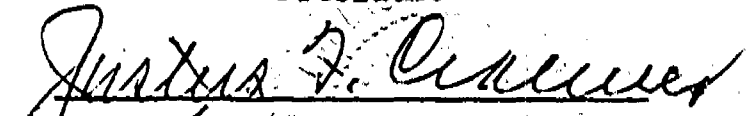
4. Immediately upon awarding the contract for the sale of said \$8,000,000 of bonds, California Electric Power Company shall file a report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based on such price and interest rate.

5. California Electric Power Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

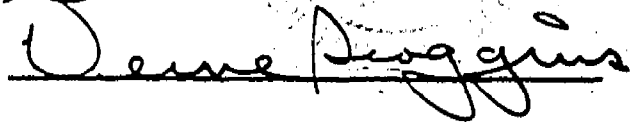
6. The authority herein granted will become effective upon the date hereof.

Dated at Los Angeles, California, this 11th day of May, 1954.


President







Commissioners