

Decision No. 50048

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 105,000)	
shares of Cumulative Preferred Stock,	:	
Par Value \$50 Per Share, exempt from)	
the Commission's competitive bidding	:	Application
rule established in Decision No. 38614,)	No. 35352
and for authority to issue and sell	:	
\$8,000,000 Principal Amount First)	
Mortgage Bonds, _____ % Series due	:	
1984, at competitive bidding.)	
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FIRST SUPPLEMENTAL OPINION

In the above entitled matter, California Electric Power Company requested authorization to issue and sell \$8,000,000 of bonds at competitive bidding and 105,000 shares (\$5,250,000 par value) of a new series of preferred stock by means of a negotiated underwriting, for the purpose of refunding outstanding securities.

After a public hearing, the Commission entered its Decision No. 50014 on May 11, 1954, authorizing the company to issue and sell the bonds but holding in abeyance the request of the company so far as it involved the issue of shares of preferred stock.

Applicant now has informed the Commission that the Federal Power Commission has exempted the proposed issue of shares of stock from its competitive bidding rule. Applicant has requested this Commission to grant it similar exemption and in support of its request it asserts that on the basis of its investigation better terms can be obtained by means of a negotiated underwriting than by submitting the issue for sale at competitive bidding.

In further support of its request for exemption from competitive bidding applicant points out that substantial portions of

its presently outstanding shares of preferred stock are held by institutions, that there is a relatively small amount outstanding in the hands of the public, that its preferred shares are not listed on any exchange and are infrequently traded over the counter, and that in its opinion the proposed issue is not so well known nor so large as to attract active underwriting interest. In 1947 the company offered a block of preferred shares for sale at competitive bidding and received no bids. Rather than run the risk of receiving no bids at this time, or of receiving unfavorable bids, it seeks to assure the sale under favorable terms after discussion and negotiation with selected underwriters.

In addition, applicant alleges that the sale by means of a negotiated arrangement will allow more flexibility both with respect to the price and date of the offering and also the terms of the shares. It appears that there are numerous utility offerings scheduled for May and June and it may be of advantage to applicant to advance or delay the offering date of its shares of stock should that appear desirable when the time comes to close the transaction. Such an action, it appears, could be more readily accomplished under a negotiated offering.

On the basis of the testimony offered in this proceeding we are of the opinion that an order should be entered exempting the proposed issue of shares of preferred stock from competitive bidding and granting applicant preliminary authorization to dispose of such shares.

FIRST SUPPLEMENTAL ORDER

The Commission having considered this matter and being of the opinion that a further hearing is not necessary and that the request of applicant to issue and sell shares of preferred stock exempt from competitive bidding should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue by California Electric Power Company of 105,000 shares of a new series of preferred stock hereby is exempted from the provisions of the Commission's competitive bidding rule.

2. California Electric Power Company may issue and sell said shares of preferred stock by means of a negotiated underwriting, on or before August 31, 1954, at a price to be fixed by the Commission in a supplemental order in this proceeding.

3. Applicant shall use the proceeds from the sale of said shares of stock for the purposes indicated in this proceeding, it being the opinion of the Commission that the money, property or labor to be procured or paid for by the issue and sale of said shares of stock is reasonably required by applicant for such purposes, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

4. Applicant 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.

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

Dated at San Francisco, California, this 18th day of May, 1954.

John E. Mitchell
President

Justin J. Calver

Harold Potter

Gene Roggins

Commissioners