

**ORIGINAL**

Decision No. 50410

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of	)	
CALIFORNIA ELECTRIC POWER COMPANY	:	Application
for authority to issue and sell	)	No. 35667
170,000 shares of Common Stock, Par	:	
Value \$1 Per Share.	)	
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O P I N I O N

California Electric Power Company has filed this application for authorization to issue and sell 170,000 shares of its common stock at competitive bidding for the purpose of redeeming its outstanding shares of \$2.50 Sinking Fund Cumulative Preferred Stock.

Applicant's outstanding shares of stock are reported as follows:

	<u>Shares</u>	<u>Par Value</u>	<u>Total Par Value</u>
Cumulative preferred stock -			
\$3 series	104,963	\$50	\$ 5,248,150
\$2.50 series	60,000	50	3,000,000
\$2.50 sinking fund series	<u>38,800</u>	50	<u>1,940,000</u>
Total preferred	203,763	-	10,188,150
Common	<u>2,500,000</u>	1	<u>2,500,000</u>
Totals	<u>2,703,763</u>		<u>\$12,688,150</u>

The shares of common stock are carried on applicant's balance sheet in the total amount of \$17,567,517, exclusive of surplus, or approximately \$7 a share. Applicant has paid dividends on its outstanding common shares for a number of years at the rate of \$.60 a year.

The outstanding shares of preferred stock of the \$2.50 sinking fund series were issued and sold in 1950 at their par value of \$50 under authorization granted by the Commission by Decision No. 44762, dated September 11, 1950, for the purpose of financing part

of the cost of applicant's new steam plant near San Bernardino. Applicant is required to pay into a sinking fund for the redemption of such shares an annual amount in cash equal to 3% of the aggregate par value of the shares of such series theretofore issued and on October 1, 1954, applicant will redeem 1,200 shares through the operation of the sinking fund, leaving 37,600 shares outstanding. Such shares are redeemable on or before October 1, 1956, at \$51.50 each, plus accrued dividends.

This proceeding shows that applicant now desires to call the sinking fund series of preferred stock for payment and that it proposes to provide the redemption costs through the issue and sale of the 170,000 shares of common stock covered by this application. The transaction, if consummated, will relieve applicant of annual cash sinking fund payments of \$60,000 and will improve its capital structure by the elimination of a special class of preferred stock and by the increase in the equity component. It will also result in an increase in the overall coverage of earnings over fixed charges and preferred dividends from approximately 2.21 times to 2.33 times which, in turn, should improve the quality and market position of its other preferred issues. The effect on its capital ratios is indicated in the following tabulation:

	<u>June 30, 1954</u>	<u>Pro Forma</u>
Long-term debt -		
Bonds	52%	52%
Debentures	<u>2</u>	<u>2</u>
Total long-term debt	54	54
Preferred stock	15	12
Common equity	<u>31</u>	<u>34</u>
Totals	<u>100%</u>	<u>100%</u>

Applicant intends to offer its shares of stock for sale at competitive bidding. It asserts that market conditions are favorable for sale of its equity capital at this time and it estimates the price it will receive should be equal, approximately, to the amount which

will be required to effect the redemption of its preferred shares. If any proceeds should remain after, said redemption, applicant will apply them to its construction program. It has estimated its new money requirements during 1955 at about \$9,000,000.

It appears that applicant will file a registration statement with the Securities and Exchange Commission at an early date and will make a distribution of its preliminary prospectus to prospective bidders. It will publish invitations for bids after the registration statement has become effective for said purposes and in view of this filing and distribution, and other publicity intended to be given the proposed offering, applicant requests that the time between publication of invitations and opening of bids be shortened from ten to seven days.

Upon reviewing the matter we are of the opinion that applicant's requests should be granted, that the money, property or labor to be procured or paid for by the issue and sale of the shares of stock herein authorized is reasonably required by applicant for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

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 and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may issue not exceeding 170,000 shares of its common stock on or before December 31,

1954, and sell the same at competitive bidding to the highest bidder. Applicant may invite the submission of bids by publication not less than seven days prior to the date set for opening said bids.

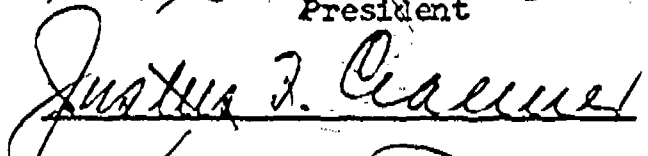
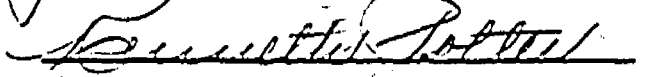

2. Immediately following the opening of bids, California Electric Power Company shall file a report with the Commission showing the name of each bidder, the price bid and the identity of those to whom the bid was awarded.

3. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of August, 1954.

  
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President

  
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Commissioners