

ORIGINAL

Decision No. 52920

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA ELECTRIC POWER COMPANY :
for Authority to Assume Certain)
Obligations or Liabilities with :
Respect to the Securities of)
Another Person. :
-----)

Application
No. 37884

OPINION AND ORDER

California Electric Power Company has filed this application under the provisions of Section 830 of the Public Utilities Code for authorization to assume the obligations or liabilities with respect to securities of Industrial Electrica Mexicana, S. A. de C. V.

Industrial Electrica Mexicana, S. A. de C. V. is a wholly owned subsidiary of California Electric Power Company. It is engaged in business as an electrical utility serving approximately 22,000 customers in the states of Baja California and Sonora, in the Republic of Mexico. According to information filed in this proceeding it has invested approximately \$2,000,000 in its fixed assets and has financed itself with internal funds and with moneys obtained from its parent company which moneys are represented on its balance sheet by outstanding notes and by common stock equity.

The application shows that the Mexican utility has been and is being faced with a continuing capital program including the construction of electric transmission and distribution facilities. It is now deemed desirable for it to establish its own credit and

to obtain at least a portion of its capital funds from sources other than California Electric Power Company.

Bank of America National Trust and Savings Association has indicated its willingness to lend \$700,000 to the Mexican utility, such loan to be evidenced by 3-3/4% serial notes payable in semi-annual installments over a period of 10 years, the borrowing to be made under and pursuant to the terms of a loan agreement filed in this proceeding as Exhibit D. The bank has required California Electric Power Company to agree that if the Mexican utility shall fail to pay, when due, the principal amount of, or interest on any note or notes executed under the terms of said agreement, applicant will purchase such defaulted note or notes from the bank at face amount plus accrued interest.

It is urged that the proposed arrangement with Bank of America would result in funds becoming available which otherwise would have to be obtained from applicant corporation. It is pointed out that the proposed interest rate of 3-3/4% is considerably less than applicant's over-all cost of money and that the proposed program of obtaining external funds would not adversely affect applicant but would, on the contrary, improve its cash position.

The Commission has given consideration to this application and it is of the opinion that a public hearing is not necessary and that the request of the company should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may enter into an agreement with Bank of America National Trust and Savings Association and assume the obligations or liabilities referred to therein

with respect to the \$700,000 of notes to be issued by Industrial
Electrica Mexicana, S. A. de C. V.

2. This order is effective on the date hereof.

Dated at San Francisco, California, this 21st
day of April, 1956.

John E. Stoddell
President

Justus J. Calmes

Raulo Vinterinen

Michael J. Doolan

B. J. Hardy

Commissioners