

ORIGINAL

Decision No. 53137

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of
California Electric Power Company
for Authority to Issue and Sell
300,000 Shares of Common Stock.

Application
No. 38003

O P I N I O N

California Electric Power Company has filed this application for authorization to issue and sell 300,000 shares of its common stock, par value \$1 each, at a price to be determined by competitive bidding.

Purpose of Financing

Applicant proposes to use the proceeds from the sale of its shares to discharge a portion of its outstanding short-term notes in favor of Bank of America National Trust and Savings Association, which notes, aggregating \$6,000,000, were issued during 1955 and 1956 to finance, temporarily, the cost of capital additions.

Information filed with the Commission shows that applicant's electric construction in 1955 was \$11,128,000, a 44.6% increase over 1954, and that its estimated construction in 1956 will be more than \$16,400,000, including \$6,700,000 for a unit of its San Bernardino steam plant and \$2,000,000 for new general office and service center facilities in the San Bernardino-Rialto area.

Investment and Financing of Properties

According to Exhibit B, applicant's recorded net investment in utility plant aggregated \$79,524,798 as of March 31, 1956, and in

other properties, \$4,723,514, a total of \$84,248,312. The exhibit shows the company's capital ratios as of the same date, including the \$6,000,000 of bank borrowings, as follows:

Long-term debt -			
Bonds	\$41,500,000		
Debentures	<u>1,250,000</u>		
Total long-term debt		\$42,750,000	51%
Bank borrowings		6,000,000	7
Preferred stock		8,248,000	10
Common stock equity -			
Common stock	\$22,764,257		
Surplus	<u>4,532,144</u>		
Total common stock equity		<u>27,296,401</u>	<u>32</u>
	Total	<u>\$84,294,401</u>	<u>100%</u>

It has been the company's policy to finance its construction costs, in part, with short-term borrowings under a credit agreement with Bank of America and from time to time to refinance itself with more permanent securities. Its present loan agreement provides for a revolving credit of \$10,000,000 available up to September 30, 1956.

Common Stock

Applicant's outstanding common stock consists of 2,900,000 shares, of the par value of \$1 each, which have a book value, on the basis of its balance sheet of March 31, 1956, of approximately \$9.40 each. During the last five years the outstanding shares, the earnings and dividends have been reported as follows:

	<u>Number of Shares</u>	<u>Earned Per Share</u>	<u>Dividends Paid</u>
1951	1,679,928	\$.54	\$.60
1952	2,353,551	.89	.60
1953	2,490,934	.88	.60
1954	2,668,934	.73	.60
1955	2,900,000	.91	.65

With respect to the reported increase in earnings in 1955, it appears that, in addition to the growth in volume, the company

received the benefit of an increase in rates effective in the early part of the year.

The Commission's records show that applicant sold blocks of its common shares during 1952 at \$9.471 a share, during 1953 at \$10.13, during 1954 at \$11.452, and during 1955 at \$14.13. The shares are traded on the American Stock Exchange and recently have been reported sold at \$15.

Conclusions

A review of the information before the Commission shows that applicant is serving a rapidly growing area and that it has made provision, and must make provision in the future, for substantial additions to its plants and properties to meet the demands of its customers. It is important that it maintain its borrowing capacity in order to assure a flexible capital structure and it therefore is clear that the issue of shares of stock is warranted at this time for the purpose of paying in part the presently outstanding bank loans.

An order will be entered granting the application. The authorization thus granted is for the issue of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

ORDER

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property, or labor to be procured or paid for by the issue of the 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; therefore,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may issue and sell at competitive bidding not exceeding 300,000 shares of its common stock pursuant to the qualified bid which offers the company the highest price for said shares.

2. California Electric Power Company shall invite the submission of bids for the purchase of said shares and publish the invitation at least seven days prior to the date set for the opening of bids.

3. California Electric Power Company shall use the proceeds to be received from the sale of said shares of stock for the purpose of discharging outstanding indebtedness.

4. California Electric Power Company shall file a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order. As soon as available, it shall file three copies of its prospectus.

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

Dated at San Francisco, California, this 27th day of May, 1956.

President

Justus J. Calmes
Rosko Luterman

William H. ...
R. ...

Commissioners