

Decision No. 53763

**ORIGINAL**

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 \$8,000,000 Principal Amount First Mortgage Bonds, \_\_\_\_\_% Series Due 1986.

Application No. 38378

O P I N I O N

California Electric Power Company has filed this application for authorization to execute a supplemental indenture and to issue not to exceed \$8,000,000 aggregate principal amount of its first mortgage bonds.

Applicant intends to offer its bonds for sale at competitive bidding, the price and interest rate to be specified in the successful bid, and to use the proceeds to pay outstanding short-term borrowings and to finance the acquisition of properties and the construction, completion, extension and improvement of its facilities. It reports that it had seven short-term notes in the aggregate amount of \$4,250,000 outstanding on July 31, 1956, under its loan agreement with Bank of America National Trust and Savings Association, and that it contemplated the issue of additional notes, during August and September, of \$1,250,000.

In addition, information filed with the Commission shows that applicant is engaged in a construction program calling for expenditures of \$16,450,000 in 1956 and \$25,750,000 in 1957. The proposed expenditures include \$9,200,000 for the first 60,000-kilowatt generating unit at the San Bernardino Steam Plant, \$5,600,000 toward the cost of a second unit, and \$2,400,000 for a new general office warehouse and shop facilities.

The company heretofore has made provision for a portion of its 1956 capital expenditures by the issue and sale of 300,000 shares of common stock during June of this year, at \$14.309 a share, and it reports that it intends to use internal funds, proceeds from the sale of additional securities and bank borrowings to meet its remaining capital costs. It is undertaking to negotiate a line of bank credit to provide funds for interim financing subsequent to the issue of the bonds covered by this application.

In financing its properties, applicant has executed a trust indenture, dated October 1, 1943, and pursuant to the terms of said indenture, and amendatory and supplemental indentures subsequently executed, has issued and sold bonds of several series, of which \$41,500,000 presently are outstanding. In addition, it has issued and sold debentures and shares of preferred, preference and common stock. Its capital ratios, as of June 30, 1956, and as adjusted to give effect to the sale of the common stock and to the proposed financing, are shown in the following tabulation:

	<u>June 30, 1956</u>	<u>Pro forma</u>
Bonds	50%	52%
Debentures	2	1
Preferred and Preference stock	10	9
Common stock equity	<u>38</u>	<u>38</u>
Total	<u>100%</u>	<u>100%</u>

From a review of this application, it is clear that applicant will have need for funds from the sale of its bonds to liquidate its short-term borrowings and to finance its construction activities. Accordingly, we are entering an order granting its request.

The approval indicated herein is for the issue and sale of bonds 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.

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, that the application should be granted, 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 invite the submission of sealed, written bids for the purchase of \$8,000,000 aggregate principal amount of its first mortgage bonds, such invitation for bids to be published at least seven days prior to the date set for the opening of the bids.
2. California Electric Power Company may issue and sell said \$8,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.
3. California Electric Power Company may execute and deliver its Eighth Supplemental Indenture, said indenture to be substantially in the form filed as Exhibit "C".
4. California Electric Power Company shall use the proceeds from the sale of its bonds for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.
5. Immediately upon awarding the contract for the sale of the \$8,000,000 of bonds, California Electric Power Company shall file a written report with the Commission showing, as to each bid received,

the name of the bidder, the price and interest rate, and the cost of money to applicant, based upon such price and interest rate.

6. California Electric Power Company 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.

7. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$4,500.

Dated at San Francisco, California, this 18<sup>th</sup> day of SEPTEMBER, 1956.

*John E. Mitchell*  
 President

*Justus J. Casner*

*Raul Lutariner*

*Mark Hoover*

*B. Hardy*  
 Commissioners

