

ORIGINAL

Decision No. 54671

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
and \$6,000,000 Principal Amount
First Mortgage Bonds, _____
Series Due 1987.

Application No. 38849.

O P I N I O N

In this proceeding, California Electric Power Company seeks authorization to issue and sell 300,000 shares of its common stock of the par value of \$1 each and \$6,000,000 in principal amount of a new series of first mortgage bonds, and to execute a supplemental indenture to define the terms of such new bonds, all for the purpose of refinancing outstanding indebtedness.

Applicant is engaged primarily in the business of supplying electric energy to members of the public in portions of the Counties of Mono, Inyo, Kern, San Bernardino and Riverside in the State of California, and in the Counties of Nye and Esmeralda in the State of Nevada. A summary statement of revenues and income for the last three calendar years is as follows:

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Operating revenues	\$17,050,542	\$19,019,084	\$21,405,111
Other income	<u>221,239</u>	<u>172,446</u>	<u>257,253</u>
Total	17,271,781	19,191,530	21,662,364
Net income	\$ 2,469,270	\$ 3,108,243	\$ 3,577,675

A condensed statement of applicant's balance sheet, as of December 31, 1956, is as follows:

<u>Assets</u>		
Investment in properties		\$ 92,798,655
Other investments		4,304,259
Current assets -		
Cash and deposits	\$1,365,616	
Receivables	2,494,846	
Materials and supplies	2,445,723	
Prepayments	<u>1,265,811</u>	
Total current assets		7,571,996
Deferred debits		<u>131,936</u>
 Total		 <u>\$105,106,846</u>
<u>Liabilities and Capital</u>		
Long-term debt		\$ 50,492,000
Current liabilities -		
Notes payable	\$4,000,000	
Accounts payable	3,017,033	
Accruals	2,917,462	
Other current liabilities	<u>10,852</u>	
Total current liabilities		9,945,347
Deferred credits		4,134,144
Preferred and preference stock		8,248,150
Common stock equity -		
Common stock	27,056,957	
Surplus	<u>5,230,248</u>	
Total common stock equity		<u>32,287,205</u>
 Total		 <u>\$105,106,846</u>

Applicant's outstanding long-term debt at the date of the balance sheet consisted of \$49,500,000 of first mortgage bonds, maturing from 1976 to 1986 and bearing interest at rates ranging from 2-7/8% to 4½%, and \$992,000 of 3% debentures due 1960. Its preferred stock consisted of \$5,248,150 of its \$3 series and \$3,000,000 of its \$2.50 series, and its common stock consisted of 3,200,000 shares of the par value of \$1 each and a book value, on the basis of the balance sheet figures, of approximately \$10. For a number of years applicant has paid quarterly dividends of

15 cents a share on its outstanding common stock but starting in September, 1955, the board of directors voted quarterly dividends of $17\frac{1}{2}$ cents a share and starting in September, 1956, quarterly dividends of 19 cents.^{1/} The reported ranges in the market prices of the outstanding common stock on the American Stock Exchange have been as follows:

1952 - 8-1/8 to 10-7/8	1955 - 11-7/8 to 15-1/4
1953 - 8-7/8 to 10-3/4	1956 - 13-3/4 to 15
1954 - 10 to 12-1/2	

The application now before us shows that it has been applicant's practice to finance itself temporarily with short-term bank borrowings and from time to time to refinance itself through the sale of bonds, debentures, and shares of preferred and common stock. In its balance sheet set forth herein applicant reports \$4,000,000 of short-term bank loans outstanding on December 31, 1956, and in its application it reports additional borrowings of \$2,000,000 since the date of the balance sheet and contemplated borrowings of \$4,000,000 more before any proceeds from the sale of the stock and bonds will become available. Applicant reports that it expects such proceeds will be approximately equal to the amounts necessary to pay all the outstanding bank loans, but should there be any balances of such proceeds it will apply them to the payment of additions, extensions and improvements to its facilities.

^{1/} According to applicant's registration statement, earnings per share have been as follows:

1952 - 89 cents	1955 - 91 cents
1953 - 88 cents	1956 - 97 cents
1954 - 73 cents	

On numerous occasions the Commission has reviewed applicant's operations and facilities and is familiar with the growth in its business and with the construction program it has been required to undertake to provide service and with which it is faced in the future. Its electric construction expenditures in 1955 were \$11,128,000 and in 1956, \$17,534,000, and they are estimated at \$22,600,000 during 1957 including approximately \$3,800,000 for completion of the first unit at the San Bernardino Steam Plant, \$4,800,000 toward a second unit of 60,000-kilowatts at such plant, \$1,500,000 toward the first unit of 80,000-kilowatts at the Axis Steam Plant presently planned for erection near Yuma, Arizona, \$1,400,000 for completion of the new general office facilities, and \$9,000,000 for new transmission and distribution lines and substations. Construction expenditures for 1958 are estimated at \$25,250,000, including \$3,100,000 for completion of the second unit at the San Bernardino Steam Plant and \$8,400,000 for construction at the Axis Steam Plant.

It is applicant's intention to offer its shares of common stock and its bonds for sale at competitive bidding and to open the bids for the shares on April 2, 1957, and for the bonds on April 9. It intends to sell its shares of stock to the highest qualified bidder and to sell the bonds to the qualified bidder offering the lowest annual cost of money, the successful bid to specify the interest rate. At the conclusion of the financing it is estimated that applicant's capital ratios will consist of first mortgage bonds 55.3%, debentures .7%, preferred stock 8.2%, and common stock equity 35.8%.

From a review of the application and the information before us, it clearly appears that applicant will have need for external financing to meet its short-term debt and to enable it to proceed with its construction activities. In our opinion, the money, property or labor to be procured or paid for by the issue and sale of the shares of stock and the bonds herein authorized is reasonably required by applicant for the purposes specified herein, which purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein 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.

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 300,000 shares of its common stock on or before December 31, 1957, and sell the same at competitive bidding to the highest qualified bidder. It shall invite the submission of bids by publication not less than seven days prior to the date set for opening said bids.

2. California Electric Power Company may execute and deliver a supplemental indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit C, and may issue not exceeding \$6,000,000 in principal amount of its first mortgage bonds due 1987, and sell the same at competitive bidding to the qualified bidder offering the lowest annual cost of money to applicant for the new bonds. It shall invite the submission of bids by publication at least seven days prior to the date set for the opening of the bids.

3. Applicant shall use the proceeds from the sale of the shares of stock and bonds herein authorized for the purpose of paying outstanding short-term bank loans and, if there remain any of such proceeds, of financing the cost of construction, completion, extension or improvement of its facilities. The accrued interest from the sale of its bonds may be used for said purposes or for general corporate purposes.

4. Immediately following the opening of bids, California Electric Power Company shall file a report with the Commission showing the name of each bidder, the bid price and the cost of money in the case of the bonds, and the names of those to whom the contracts were awarded.

5. Within 60 days after the issue and sale of the stock and bonds herein authorized, applicant shall file with the Commission four copies of its prospectus of each issue and a report showing the amount of bonds and stock issued and sold, the prices at which sold, the names of those to whom sold, and the purposes for which the proceeds were used. Within six months

after such issue and sale, applicant shall file a statement showing in some detail the expenses incurred by it incident thereto and the account, or accounts, to which such expenses were charged.

6. The authority herein granted to issue and sell bonds will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$3,500. In other respects the authorization herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 19th day of March, 1957.

Peter E. Mitchell
 President

Walter J. ...

R. ...

E. L. Fox

Commissioners

