

ORIGINAL

Decision No. 56223

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
\$12,000,000 Principal Amount First
Mortgage Bonds, _____% Series Due
1968.

Application No. 39746

O P I N I O N

This is an application for an order of the Commission authorizing California Electric Power Company to execute a supplemental indenture and to issue and sell \$12,000,000 principal amount of first mortgage bonds.

Applicant intends to offer the 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 indebtedness represented by short-term notes. It reports that on October 31, 1957 it had \$9,000,000 of short-term notes outstanding under its loan agreement with the Bank of America National Trust and Savings Association and that it contemplates the issue of an additional \$3,500,000 of notes before issuing the bonds covered by this application. It sets forth that the funds obtained under the loan agreement and those it will obtain have been used and will be used for the purpose of financing the cost of property and the construction, completion, extension or improvement of its facilities. According to information filed with the Commission, its electric construction

expenditures in 1957 were approximately \$22,600,000 and its estimated expenditures for 1958 aggregate \$21,300,000, including approximately \$2,850,000 for general construction, \$8,400,000 for new transmission and distribution lines and substations, \$2,350,000 for completion of the second generating unit at the San Bernardino Steam Plant, and \$7,700,000 for the first unit of 80,000 kw at the Axis Steam Plant.

It has been the company's practice to finance its construction costs, in part, with temporary borrowings and subsequently to refinance itself through the issue of long-term debt and shares of stock. Its capital ratios as of October 31, 1957, and as adjusted to give effect to the proposed issue of bonds, are as follows:

	As of October 31, <u>1957</u>	<u>Pro Forma</u>
Bonds and debentures	52%	57%
Preferred stock	14	13
Common stock equity	<u>34</u>	<u>30</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. 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 \$12,000,000 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 \$12,000,000 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 Tenth 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 purpose set forth in this application. The accrued interest may be used for such purpose or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of the \$12,000,000 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 \$4,250.

Dated at Los Angeles, California, this 10th day of February, 1958.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

