

ORIGINAL

Decision No. 5863A

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. 40774

OPINION AND ORDER

In this application California Electric Power Company seeks authorization, under the provisions of Section 830 of the Public Utilities Code, 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 which is engaged in business as an electrical utility in the States of Baja California and Sonora in the Republic of Mexico. For many years applicant was the sole supplier of funds to its subsidiary but in 1956 it undertook to make arrangements for the subsidiary to establish its own credit and to obtain at least a portion of its funds for its construction activities from sources other than applicant. Accordingly, the Mexican utility negotiated a loan agreement with the Bank of America National Trust and Savings Association and on July 23, 1956, borrowed \$700,000 from such bank and issued its notes, which it has since reduced to \$525,000. As part of the borrowing arrangements,

applicant agreed that it would purchase from the bank any note, or notes, of the subsidiary upon default. This assumption of liability by applicant was approved by the Commission by Decision No. 52920, dated April 24, 1956.

It now appears that Industrial Electrica Mexicana, S.A. de C.V. has need for additional funds and that the bank has indicated its willingness to lend to it the further sum of \$500,000, such sum to be represented by serial notes bearing interest at the rate per annum of 1/4 of 1% above the bank's prime rate for 90-day commercial notes but not less than 4% per annum. The bank again has required California Electric Power Company to agree to purchase any defaulted note, or notes.

The proposed arrangements with the bank will supply a portion of the funds which applicant otherwise would have to obtain from internal sources, or from the sale of its own securities, in order to finance its subsidiary.

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

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may enter into an agreement with the Bank of America National Trust and Savings Association in substantially the same form as that filed in this proceeding as Exhibit E and, pursuant to the terms thereof, may assume the obligations or liabilities referred to therein with respect to the \$500,000 of notes which are to be issued by Industrial Electrica Mexicana, S.A. de C.V.

2. This order shall become effective on the date hereof.

Dated at San Francisco, California, this
24th day of February, 1959.

E. J. Fox
President
W. J. [unclear]
W. J. [unclear]
Theodore [unclear]
Robert [unclear]
Commissioners