

ORIGINAL

Decision No. 58090

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. 40850

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 of the par value of \$1 each.

The company proposes to offer its shares for sale at competitive bidding and to use the proceeds to pay bank loans which presently are outstanding or which may become outstanding before the common stock money becomes available. The bank loans are, or will be, represented by short-term notes issued pursuant to the terms of a loan agreement with Bank of America National Trust and Savings Association under authorization granted by the Commission by Decision No. 57448, dated October 15, 1958. The borrowings were made, or will be made, in order to refinance existing indebtedness and to meet construction costs.

It appears that it has been applicant's practice to meet its capital requirements temporarily with short-term bank borrowings and, from time to time, to refinance with permanent securities. Its capital structure, including its short-term borrowings, as of December 31, 1958, is indicated in the following tabulation:

Long-term debt	\$ 68,000,000	51%
Notes payable	7,250,000	5
Preferred stock	21,248,150	16
Common stock and surplus	<u>37,699,762</u>	<u>28</u>
Total	<u>\$134,197,912</u>	<u>100%</u>

The presently outstanding common stock consists of 3,500,000 shares of the par value of \$1 each having a book value, on the basis of the preceding figures, of approximately \$10.75 each. The shares are traded on the American Stock Exchange and recently have been reported sold at \$22-1/2. The current annual dividend rate is 80 cents.

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 plant and properties to meet the demands of its consumers. ^{1/} It is necessary for it to maintain an elastic and balanced capital structure, if it is to finance its required expenditures under reasonable terms, and we are of the opinion, therefore, that the issue of common shares in place of debt capital is desirable.

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.

^{1/} Applicant has reported that its construction expenditures during 1959 will amount to approximately \$12,850,000.

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 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; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. California Electric Power Company may issue and sell at competitive bidding not to exceed 300,000 shares of its common stock, of the par value of \$1 each, 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 the 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, immediately upon awarding the contract for the sale of the 300,000 shares of common stock, shall file a written report with the Commission showing, as to each bid received, the name of the bidder and the bid price.

5. 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.

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

Dated at San Francisco, California, this 10th day of March, 1959.

E. L. Fox
President
W. E. Mitchell
W. E. Mitchell
Theodore J. Miller
Everett E. Page
Commissioners