

**ORIGINAL**

Decision No. 59942

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 1990.

Application No. 42094

O P I N I O N

On March 30, 1960, California Electric Power Company filed this application for authorization to execute a supplemental indenture and to issue and sell \$12,000,000 principal amount of first mortgage bonds.

Heretofore, pursuant to authorization granted by the Commission, applicant has executed a first mortgage indenture and ten subsequent indentures, supplemental thereto, and, under the terms of such instruments, has issued first mortgage bonds of several series, of which \$67,500,000 in principal amount were outstanding as of December 31, 1959. At this time, applicant proposes to execute an Eleventh Supplemental Indenture defining the terms of a new series of bonds and to issue \$12,000,000 in principal amount of such new series of bonds which shall mature on May 1, 1990, and shall be subject to redemption at an initial regular redemption price beginning May 1, 1960 and ending April 30, 1961, which shall be equivalent to the initial public offering price of the bonds, or 100% of the principal amount, whichever is greater, plus the rate of interest

on the bonds, and thereafter at annually reducing amounts. The company proposes to sell the \$12,000,000 of bonds at competitive bidding, the price and interest rate to be specified in the successful bid.

The purpose of the financing is to enable applicant to liquidate its short-term borrowings and to finance, in part, its construction costs. Information filed with the Commission shows that the company has been engaged in a program of expansion; that its construction expenditures amounted to \$10,926,000 in 1959; that they are estimated at approximately \$20,215,000 in 1960 and at \$17,075,000 in 1961. The expenditures for the current year include \$1,313,000 for general construction, \$9,490,000 for new transmission and distribution lines and substations, and \$9,412,000 for the electric generating unit at its Cool Water Steam Plant.

A review of the application shows that it has been applicant's practice to issue short-term bank notes for interim financing for its additions and betterments and, from time to time, to refinance by the issue of long-term debt and shares of preferred and common stock. As of December 31, 1959, applicant's short-term borrowings aggregated \$6,500,000 and it is reported that these borrowings have increased to \$9,500,000 at the present time. Applicant's capital ratios as of the end of 1959, including its short-term borrowings, are as follows:

Long-term debt	\$ 67,750,000	48%
Notes payable	6,500,000	5
Subtotal	<u>74,250,000</u>	<u>53</u>
Preferred stock	21,248,150	15
Common stock and surplus	<u>45,312,887</u>	<u>32</u>
Total	<u>\$140,811,037</u>	<u>100%</u>

Applicant's financial statements, which have been presented as exhibits in this proceeding, show that at the end of 1959 its current and accrued assets amounted to \$9,855,351 and its current and accrued liabilities to \$12,299,297, including \$6,500,000 of short-term notes. The statements further show that applicant's net income, after payment of dividends, aggregated \$1,182,676 for the year 1959 and its depreciation accruals \$3,077,043, a total of \$4,259,719.

Upon considering this matter, it clearly appears to us that applicant's internal funds will not be sufficient to enable the company to liquidate its obligations and to meet its capital requirements and that it will have need for funds from external sources in order to improve its cash position and to proceed with its construction activities. Accordingly, we will enter an order granting the application.

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.

ORDER

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 Eleventh Supplemental Indenture, said indenture to be substantially in the same 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 \$12,000,000 of bonds, California Electric Power Company shall file a written report with the Commission which shall show, 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 and shall also file three copies of its prospectus.

7. The authority herein granted will become effective when California Electric Power Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,150.

Dated at San Francisco, California,  
this 19<sup>th</sup> day of April, 1960.

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

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
**FILED**  
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BY