

ORIGINAL

Decision No. 62146

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
\$8,000,000 Principal Amount First
Mortgage Bonds, _____ % Series
Due 1991.

Application No. 43447

O P I N I O N

On May 29, 1961, California Electric Power Company filed this application for authorization to execute a supplemental indenture and to issue and sell \$8,000,000 principal amount of first mortgage bonds.

Heretofore, pursuant to authorization granted by the Commission, applicant has executed a first mortgage indenture and eleven subsequent indentures, supplemental thereto, and, under the terms of such instruments, has issued first mortgage bonds of several series, of which \$79,500,000 in principal amount were outstanding as of March 31, 1961. At this time, applicant proposes to execute a Twelfth Supplemental Indenture, defining the terms of a new series of bonds and to issue \$8,000,000 in principal amount of such new series of bonds which shall mature on July 1, 1991, and shall be subject to redemption at an initial regular redemption price beginning July 1, 1961, and ending June 30, 1962, which shall be

equivalent to the initial public offering price of the bonds, or 100% of the principal amount, whichever is greater, plus (a) the rate of interest on the bonds and (b) a premium of two per cent of the principal amount, but in no event to exceed 108% of the principal amount, and thereafter at annual reducing amounts. The company proposes to sell the \$8,000,000 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 discharge a portion of its short-term borrowings from Bank of America National Trust and Savings Association which presently total \$9,500,000 and which represent interim financing of capital additions and improvements. The company's electric construction expenditures were approximately \$17,340,000 in 1960 and it is estimated they will aggregate \$12,650,000 in 1961 and \$15,460,000 in 1962. The company expects to obtain funds for its 1961-62 construction program from internal sources, short-term bank loans and the sale of additional securities when and as required.

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. Its capital ratios as of the end

of 1960, as adjusted to give effect to the proposed sale of bonds, are as follows: First Mortgage Bonds 56.6%, Cumulative Preferred Stock 13.5%, Common Stock and Surplus 29.9%. Applicant's financial statements, which have been presented as exhibits in this proceeding, show that as of March 31, 1961, its current and accrued assets amounted to \$9,579,875 and its current and accrued liabilities to \$14,524,055, including short-term notes.

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 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.

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 purpose specified herein, and that

such purpose, except as otherwise authorized, is 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 \$8,000,000 aggregate principal amount of its first mortgage bonds, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. California Electric Power Company may issue and sell said \$8,000,000 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 Twelfth Supplemental Indenture, said indenture to be substantially in the same form as that filed as Exhibit C in this proceeding.

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 \$8,000,000 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.

Dated at San Francisco, California,
this 20th day of JUNE, 1961.

Grant W. Pease
President

George H. Brewer

Frederick B. Holoboff

Commissioners

