

EC/KLH

Decision 87 10 010**ORIGINAL**

OCT 16 1987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CP NATIONAL CORPORATION, a California)
 corporation, for an order authorizing)
 it to issue and sell an additional)
 350,000 shares of its Common Shares,)
 \$2.50 par value. (U 11 M))

Application 87-08-007
 (Filed August 4, 1987)

O P I N I O NSummary of Decision

This decision grants CP National Corporation (CP National) the authority requested in the application.

CP National requests authority, under Public Utilities (PU) Code Sections 816 through 818, to issue, sell and deliver up to an additional 350,000 shares of its Common Stock, \$2.50 par value, in connection with options granted under its Employee Stock Option Plan (the Plan).

Notice of the filing of the application appeared on the Commission's Daily Calendar of August 4, 1987. No protests have been received.

CP National, a California corporation, directly and through its subsidiaries, is engaged in public utility operations in Oregon, California, Nevada, New Mexico and Arizona. The company provides electric, gas and telephone services in California.

Based on its Condensed Consolidated Statement of Income for the 12 months ended March 31, 1987 attached to the application as part of Exhibit B, CP National generated total consolidated operating revenues of \$239,257,000 and net income of \$22,177,000.

For the calendar year ended December 31, 1986, CP National states that 14.8% of its total consolidated operating revenues were derived from California utility operations.

CP National's Consolidated Balance Sheet as of March 31, 1987, also shown as part of Exhibit A attached to the application, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$232,418,000
Net Other Property & Investments	105,402,000
Long-Term Lease & Other Receivables	12,423,000
Current Assets	105,791,000
Deferred Charges	<u>15,355,000</u>
Total	\$471,389,000
 <u>Liabilities & Equity</u>	
Common Equity	\$145,311,000
Preferred Stock	1,448,000
Long-Term Debt	178,444,000
Current Liabilities	81,472,000
Deferred Credits	<u>64,714,000</u>
Total	\$471,389,000

CP National, at March 31, 1987, had issued and had outstanding 7,572,488 shares of its common stock. This stock has a book value of \$19.60 per share. On August 3, 1987, The Wall Street Journal, which reports the New York Stock Exchange Composite Transactions, indicates that on August 3, 1987, CP National's common stock closed at a price of \$29 per share.

CP National was authorized by Decision (D.)82-03-010 dated March 2, 1982 in Application (A.)60318 to issue 100,000 shares of

common stock under the Plan. The Commission, by D.83-09-014 dated September 7, 1983 in A.83-08-020, granted CP National authority to split all of its issued and outstanding common stock on a 2-for-1 basis. CP National was authorized by D.83-11-009 dated November 2, 1983 in A.83-09-08 to issue an additional 200,000 shares of common stock under the Plan, and under D.86-05-061 dated May 28, 1986 in A.86-02-040 was authorized to issue an additional 200,000 shares of common stock. As a result of these decisions, CP National may issue 600,000 shares of common stock under the Plan.

By this application, CP National proposes to issue an additional 350,000 shares of common stock, in connection with options granted under the Plan. A copy of the Plan is attached to the application as Exhibit B. The application indicates that the purpose of the Plan is to increase incentive and to encourage stock ownership on the part of selected key employees of CP National and its subsidiaries who are in a position to make significant contributions to the long-term performance of CP National, to provide those employees with a proprietary interest or increased proprietary interest in CP National and to encourage them to remain in the employ of the company. The Plan is administered by the compensation committee of CP National's board of directors.

The application also states that the effect of the issuance and sale of an additional 350,000 shares of CP National's common stock on its capitalization ratios cannot be measured, although the sale and issuance would increase CP National's common

stock equity. The application indicates that the common stock would have an estimated value of \$10,150,000 based on the August 3, 1987 closing price of \$29 per share on the New York Stock Exchange.

CP National expects that it will be engaged in an ongoing construction program and will continue to require capital for its expanding operations for the foreseeable future. It is not possible to estimate when proceeds from the sale of stock under the options might be received, but all of the proceeds will be used for the foregoing purposes.

The Commission's Evaluation and Compliance Division (E&C Division) has analyzed CP National's cash requirement forecast as reported in the utility's supplemental data provided to the Commission by letter dated August 27, 1987 and has concluded that the issuance of additional common stock under the Plan will help CP National meet forecasted cash requirements. The E&C Division also concludes that the proposed issuance of stock under the Plan is reasonable and that the authority to issue the stock should be granted.

Findings of Fact

1. CP National, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. The proposed issuance of the additional common stock in connection with options granted under the Plan would be for proper purposes.

3. The proposed issuance of additional common stock in connection with options granted under the Plan is reasonable and not adverse to the public interest.

4. The proposed security issue is for lawful purposes and the money, property or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

5. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

In issuing our order, we place CP National and its shareholders on notice that the number of common shares outstanding, the total par value of the shares and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of CP National's stock or property nor does it indicate the amounts to be included in ratemaking proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Sections 1904.1 and 1904.2 to enable CP National to issue its securities expeditiously.

O R D E R

IT IS ORDERED that:

1. CP National Corporation (CP National), on or after the effective date of this order, may issue, sell and deliver up to an additional 350,000 shares of its Common Stock, \$2.50 par value, in connection with options granted under the Employees' Stock Option Plan (the Plan) in accordance with the terms and conditions set forth in the application.
2. CP National shall apply the net proceeds from the issue of the securities for the purposes set forth in the application.
3. CP National shall file the reports required by General Order Series 24.
4. This application is granted as set forth above.

The authority granted by this order to issue common stock will become effective when CP National pays \$2,503, the fee set by Public Utilities Code Sections 1904.1 and 1904.2. In all other respects, this order is effective today.

Dated OCT 16 1987, at San Francisco, California.

STANLEY W. HULETT.
President
DONALD VIAL
FREDERICK R. DUDA
C. MITCHELL WILK
Commissioners

Commissioner John B. Ohanian, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weissert
Victor Weissert, Executive Director

