

RR/KLH/ARM/WPSC

Decision 82 06 013 JUN-2-1982**ORIGINAL**

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 Common )  
 Stock, \$5 par value. )

Application 82-04-37  
 (Filed April 16, 1982)

O P I N I O N

CP National Corporation (CP National) requests authority, under Public Utilities (PU) Code Sections 816 through 830, to issue up to 300,000 shares of its Common Stock, \$5 par value, under its Incentive Thrift Savings Plan (Thrift Plan) as described in the application.

Summary of Decision

This decision grants CP National the authority requested in the application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of April 20, 1982. 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, Texas, Utah, New Mexico, and Arizona. The company provides electric, gas, telephone, and water service in the State of California.

For the calendar year 1981, CP National reported it generated total consolidated revenues of \$135,534,000 and net income of \$9,014,000 as shown in its Consolidated Statements of Income attached to the application as part of Exhibit B. The company reports it earned 24.97% of its total consolidated operating revenues in California.

CP National's Consolidated Balance Sheet as of December 31, 1981, also shown as part of Exhibit B, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$206,562,000
Net Other Property and Investment	25,565,000
Current Assets	30,661,000
Deferred Charges	<u>5,825,000</u>
Total	\$268,613,000
<u>Liabilities and Equity</u>	
Common Equity	\$ 64,538,000
Preferred Stock	11,151,000
Long-Term Debt	114,951,000
Current Liabilities	47,979,000
Deferred Credits	<u>29,994,000</u>
Total	\$268,613,000

CP National requests authority to issue up to 300,000 shares of its Common Stock, \$5 par value, under its newly instituted Thrift Plan, which is to be effective July 1, 1982. These shares are expected to be sufficient to operate the Thrift Plan through 1985. Eligible employees (Participants) of

CP National and its subsidiaries may elect to contribute, through payroll deductions, between 2% and 6% of their regular salaries. By a letter dated May 19, 1982, CP National stated the terms of the proposed Thrift Plan were amended on May 14, 1982 by its Board of Directors. The amended Thrift Plan provides that CP National will limit its contributions from net profits to an amount equal to 50% of the amount contributed by each participant. Participants may also make additional contributions of from 1% to 10% of their regular salaries, which contributions will not be matched by CP National.

All contributions under the Thrift Plan will be held by a Bank Trustee. CP National's contributions may be in the form of cash, common stock, or a combination of both. Participants' contributions will be invested in either CP National's common stock; a diversified portfolio of equity securities; or a diversified portfolio of short-term money market instruments, at the election of each Participant, in accordance with the Trustee Agreement for the Thrift Plan.

All employees of CP National and its participating subsidiaries are eligible to participate in the Thrift Plan after they have completed at least six months of continuous employment.

benefits to be provided for employees of the company who are

from the issuance of stock or stock certificates, other evidence of interest or ownership, bonds, notes, or other evidences of indebtedness for the acquisition of property or the construction, completion, extension, or improvement of its facilities exclusive of maintenance of services and replacements.

On December 31, 1981, CP National reported unreimbursed construction expenditures of \$27,436,000. In addition, the common stock issue will improve CP National's debt to equity ratio in accordance with the desires of the Commission expressed in Decision (D.) 82-04-078 dated April 21, 1982 in Application (A.) 82-03-53. CP National states that its objective is to have a consolidated common equity ratio (exclusive of short-term debt) of 40% by the end of 1983.

CP National is engaged in an extensive utility construction program and estimates that the gross expenditures required for this construction program for the years 1982 and 1983 will approximate \$21,137,000 and \$19,604,000, respectively, estimated as of December 31, 1981 as follows:

	<u>1982</u>	<u>1983</u>
Electric	\$ 5,282,000	\$ 5,509,000
Gas	3,592,000	2,704,000
Telephone	11,998,000	11,050,000
Water	<u>265,000</u>	<u>341,000</u>
Total	\$21,137,000	\$19,604,000

*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

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All employees of CP National and its participating subsidiaries are eligible to participate in the Thrift Plan after they have completed at least six months of continuous employment.

Employees who were not covered by the company's Thrift Plan

CP National estimates that, as of July 1, 1982, approximately 950 employees will be eligible to participate in the Thrift Plan. CP National anticipates that 80% of the eligible employees will participate. If the Thrift Plan had been in effect during the entire year 1981 and 80% of all eligible employees had participated and elected to make matched contributions at the maximum permitted rate of 6%, CP National estimates that employee contributions would have totaled approximately \$517,000. The company would have contributed approximately \$258,500 at the 50% matching rate. If all available funds had been used to purchase CP National's common stock at an assumed value of \$22 per share, CP National would have issued 35,250 shares of its common stock. CP National's contributions to the Thrift Plan will be deductible for federal income tax purposes under Section 404(a) of the Internal Revenue Code.

#### Use of Proceeds

The funds generated through the issuance of CP National's common stock to the trustee under the Thrift Plan will assist the company in meeting its needs for external permanent financing for its ongoing construction program. These funds will reimburse CP National for moneys actually expended from income or other moneys in the company's treasury which were not secured by or obtained

from the issuance of stock or stock certificates, other evidence of interest or ownership, bonds, notes, or other evidences of indebtedness for the acquisition of property or the construction, completion, extension, or improvement of its facilities exclusive of maintenance of services and replacements.

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The Commission's Revenue Requirements Division has reviewed CP National's construction program and has concluded the utility's estimated construction expenditures are necessary. The Division has no objection to the proposed security issue specified in the application but reserves the right to reconsider the reasonableness of any specific construction expenditures in future rate proceedings.

CP National's capital ratios reported as of December 31, 1981 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>December 31, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	53.9%	58.3%
Short-Term Debt	10.6	2.5
Total	<u>64.5</u>	<u>60.8</u>
Preferred/Preference Stock	5.2	5.0
Common Equity	30.3	34.2
Total	<u>100.0%</u>	<u>100.0%</u>

1. The issuance by December 31, 1982 of about \$120,000 of common stock under the Thrift Plan proposed in this application;
2. The issuance and sale of up to \$15,000,000 of Debt Securities and up to \$10,000,000 of Common Stock, \$5 par value (D.82-04-078 dated April 21, 1982 in A.82-03-53);
3. The reduction of Preferred/Preference Stock in the amount of \$264,000 from sinking fund applications; and

4. The repayment of \$9,200,000 of short-term debt incurred for the acquisition of Great Southwest Telephone Corporation (GSTC) (D.93266 dated July 7, 1981 in A.60592) and the repayment of \$7,900,000 of other short-term bank debt.

The foregoing ratios are significantly affected by the inclusion of the separate indebtedness of CP National's operating telephone subsidiaries in the consolidated figures the company is required to use for financial statement presentation. Much of the operating telephone companies' debt is comprised of Rural Electrification Administration borrowings which typically allow higher debt ratios and provide interest rates from 2% to 8%. The following table shows parent company only ratios for the period presented above, excluding \$39,137,000 of separate indebtedness of the subsidiaries.

	<u>December 31, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	43.6%	49.3%
Short-Term Debt	12.9	3.0
Total	<u>56.5</u>	<u>52.3</u>
Preferred/Preference Stock	6.4	6.1
Common Equity	37.1	41.6
Total	<u>100.0%</u>	<u>100.0%</u>

The Commission's Revenue Requirements Division has analyzed CP National's cash requirements forecast for 1982 and 1983 provided the Commission in Supplemental Data and has concluded that internally generated funds will provide about 34% of the capital

expenditures for 1982. In 1983 internally generated funds will provide about 51% of estimated construction expenditures. CP National anticipates that GSTC will finance its own construction program independently. The Division has concluded that the proposed issuance of common stock is necessary to help CP National meet forecasted cash requirements.

Findings of Fact

1. CP National, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. CP National's proposed issuance of common stock under the Thrift Plan is for a proper purpose.
3. The money, property, or labor to be procured or paid for by the issuance of common stock is reasonably required for the purpose set forth in the application.
4. There is no known opposition to the application 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.

The proposed issuance of common stock is for a lawful purpose and the money, property, or labor to be obtained by it is required for this purpose. Proceeds from the issuance of the common stock may not be charged to operating expenses or income.

We place CP National and its shareholders on notice that the number of shares outstanding, the total par or stated 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 amounts to be included in ratesetting proceedings.

CP National is also placed on notice that the authorization granted by this order to issue common stock is not a finding of the reasonableness of the company's Thrift Plan.

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

O R D E R

IT IS ORDERED that:

1. CP National Corporation (CP National) may issue and sell up to 300,000 shares of its Common Stock, \$5 par value, substantially in accordance with the Incentive Thrift Savings Plan set forth in Exhibit C attached to the application.

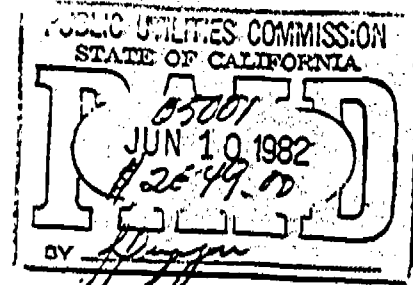
2. CP National shall apply the net proceeds from the issuance and sale of the stock to the purpose set forth in the application.

3. On or before the 25th day of each month following the date of issuance, CP National shall file with the Commission a statement showing the number of shares issued under the authority granted, the gross proceeds received, the expenses incurred in connection with the issue, and the purpose for which the net proceeds were used. These filings shall be made in lieu of reports required by General Order Series 24.

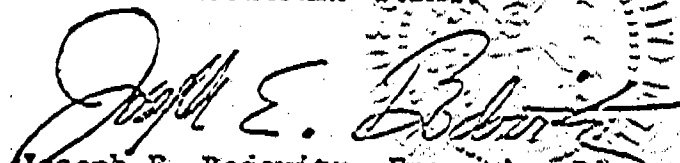
4. The authority granted by this order will become effective when CP National pays \$2,649, the fee set by the PU Code Sections 1904.1 and 1904.2.

Dated JUN 2 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners



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

  
Joseph E. Bodovitz, Executive Director

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