

ORIGINAL

Decision 82 10 069 "OCT" 6 1982

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 )	Application 82-08-44
Order Authorizing it to sell )	(Filed August 23, 1982)
Common Stock, \$5 par value. )	

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 not to exceed 50,000 shares of its common stock, \$5 par value (Stock), under its Tax Credit Employee Stock Ownership Plan (Plan) described in Exhibit B attached to the application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 23, 1982. No protests have been received.

CP National, a California corporation, directly and through its subsidiaries, engages in public utility operations in Oregon, California, Nevada, Texas, Utah, New Mexico, and Arizona. The company provides electric, gas, telephone, and water service in California.

For the six months ended June 30, 1982, CP National generated total consolidated revenues of \$81,412,000 and had a net income of \$6,281,000. The company reports it earned 24.97% of its total consolidated operating revenues in California for the year ended December 31, 1981.

CP National's Consolidated Balance Sheet as of June 30, 1982, shown as part of Exhibit A attached to the application, is summarized as follows:

<u>Assets</u>	<u>Amounts</u>
Net Utility Plant	\$201,881,000
Net Other Property and Investment	25,030,000
Current Assets	33,271,000
Deferred Charges	<u>7,222,000</u>
Total	\$267,404,000
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$ 67,391,000
Preferred Stock	10,550,000
Long-Term Debt	113,272,000
Current Liabilities	47,677,000
Deferred Credits	<u>28,514,000</u>
Total	\$267,404,000

CP National requests authority to issue up to 50,000 shares of Stock under its Plan, which is to be effective November 15, 1982. In Decision (D.) 93743, dated November 13, 1981, the Commission authorized CP National to issue up to 35,000 shares of its Stock to the Trust maintained under the Employee Stock Ownership Plan of Great Southwest Telephone Corporation (GSTC Plan).

CP National is now in a position to take advantage of the provisions of Sections 44G and 409A of the Internal Revenue Code, which allow certain credits against federal income tax if the

3. The repayment of \$7.9 million of short-term notes prior to December 31, 1982;
4. The reduction in long-term debt and preferred stock in the amount of \$3,277,000 resulting from current maturities and redemption requirements; and
5. The issuance of 8,600 shares of Stock by December 31, 1982 under the Plan, is as follows: (Includes \$39 million long-term debt of a subsidiary):

	<u>June 30, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	53.8%	56.7%
Short-Term Debt	<u>9.9</u>	<u>5.7</u>
Total Debt	63.7	62.4
Preferred/Preference Stock	5.1	4.5
Common Equity	<u>31.2</u>	<u>33.1</u>
Total	100.0%	100.0%

The foregoing ratios are significantly affected by the inclusion of the separate indebtedness of CP National's operating telephone subsidiaries in the consolidated figures CP National 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.

amount is invested in CP National common stock. In order to accomplish this, CP National is amending the GSTC Plan and Trust to apply to CP National and all of its subsidiaries. A form of the Trust Agreement is attached to the application as Exhibit C.

Under the Plan, CP National and its participating subsidiaries will be obliged to make contributions equal to the tax credit claimed, either in cash or in shares of Stock of equivalent value. Any cash contributed would be invested by the Trust trustee in shares of CP National Stock. Contributions under the Plan would be allocated among all eligible employees in proportion to their salaries. Distribution in the form of shares of Stock would be made under the Plan in the event of termination of employment, subject to certain restrictions. CP National estimates that approximately 8,600 shares will be issued in 1982 and 24,600 shares issued in 1983. CP National has requested authority to issue 50,000 shares in order to allow flexibility should more shares be required than initially planned.

Cash contributed to the Plan will be used to purchase shares of Stock, and the proceeds of such sale will be used to repay short-term bank debt. Alternatively, CP National may contribute shares of Stock to the Plan to satisfy its obligation to contribute an equivalent amount in cash.

CP National is engaged in an extensive utility construction program and estimates that gross expenditures required for this construction program for the years 1982 and 1983 will approximate \$21,000,000 and \$20,000,000, respectively, estimated as of May 3, 1982 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

CP National estimates that internally generated funds will provide about 60% of the 1982 (parent only) capital expenditures. CP National expects that GSTC will finance its own construction program.

CP National's consolidated capital ratios reported as of June 30, 1982, after giving effect to identified transactions are as follows:

1. The issuance by December 31, 1982 of approximately \$120,000 of Common Stock under CP National's Thrift Plan D.82-06-019 dated June 2, 1982 in Application (A.) 82-04-37);
2. The issuance and sale of approximately \$10,000,000 of 15-1/4% Debentures on July 2, 1982, the proposed issuance and sale of \$10,000,000 of First Mortgage Bonds in September 1982, and the proposed issuance and sale of approximately \$10,000,000 of Common Stock (D.82-04-78 dated April 21, 1982 in A.82-03-53);

	<u>June 30, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	44.1%	49.0%
Short-Term Debt	<u>11.1</u>	<u>5.9</u>
Total Debt	55.2	54.9
Preferred/Preference		
Stock	6.3	5.4
Common Equity	<u>38.5</u>	<u>39.7</u>
Total	100.0%	100.0%

CP National states that, while it is not possible to estimate accurately the number of shares of Stock which will be issued under the Plan, all such issuances will increase CP National's common equity ratio.

The Commission's Revenue Requirements Division has analyzed CP National's cash requirement forecast and has concluded that the proposed issuance of Stock is necessary to help CP National meet forecasted cash requirements. The Division has also reviewed CP National's 1982-83 construction program and has concluded that the program is reasonable. The Division reserves the right to reconsider the reasonableness of any specific program and construction expenditure in future rate proceedings.

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 Stock is for proper purposes.

3. CP National's Plan would not be adverse to the public interest.

4. The money, property or labor to be procured or paid for by the issuance of Stock is reasonably required for the purposes set forth in the application.

5. 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 Stock is for lawful purposes and the money, property or labor to be obtained by it is required for these purposes. Proceeds from the issuance of Stock may not be charged to operating expenses or income.

We place CP National and its stockholders 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.

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

O R D E R

1. CP National Corporation (CP National) may issue not to exceed 50,000 shares of its Common Stock, \$5 par value, substantially in accordance with the Tax Credit Employee Stock Ownership Plan set forth in Exhibit B attached to the application.
2. CP National shall apply the net proceeds from the issuance and sale of the Stock to the purposes set forth in the application.
3. CP National shall file the reports required by General Order Series 24.

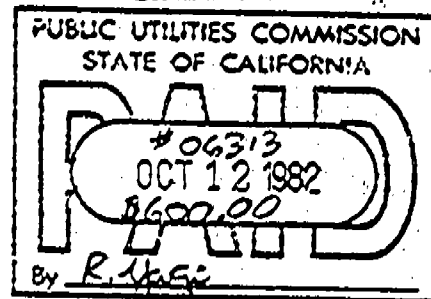


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4. The authority granted by this order to issue stock will become effective when CP National pays \$600, the fee set by the PU Code Sections 1904.1 and 1904.2.

Dated OCT 6 1982, at San Francisco, California.

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



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

*Joseph E. Bedovian*  
Joseph E. Bedovian, Executive Director