

Decision 83 10 005 OCT 5, - 1983

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)
bank notes.)

Application No. 83-07-60
(Filed July 29, 1983)

O P I N I O N

CP National Corporation (CP National) requests authority under Public Utilities (PU) Code Section 816 through 830, to increase its short-term debt authority from \$25,000,000 up to \$35,000,000 on essentially the same terms outlined in Decision (D). 93429, dated August 18, 1981 in Application (A.) 60727. The present authorization was recently extended to July 1, 1985 in D.83-06-046, dated June 15, 1983, in A.83-05-11.

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 on August 2, 1983. 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, New Mexico and Arizona. The company provides electric, gas, telephone, and water services in the State of California.

Based on its consolidated statements of income for the 12 months ended March 31, 1983, attached as Exhibit A to the application, CP National generated total consolidated operating revenues of \$158,131,000 and net income of \$13,512,000. CP National states that 24.55% of its total consolidated operating revenue for the calendar year ended December 31, 1982 was derived from California utility operations.

CP National's consolidated Balance Sheet as of March 31, 1983, also shown as part of Exhibit A is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$214,949,000
Net Other Property & Investment	32,096,000
Current Assets	44,262,000
Deferred Charges	<u>14,764,000</u>
Total	\$306,071,000
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$ 88,241,000
Preferred Stock	10,174,000
Long-Term Debt	132,558,000
Current Liabilities	41,444,000
Deferred Credits	<u>33,654,000</u>
Total	\$306,071,000

By D.83-06-046, the Commission authorized CP National to issue, sell, and deliver up to \$25,000,000 aggregate principal amount, including that allowable under Section 823(c) of the PU Code, promissory notes and notes refunding, renewing and extending these notes, under line of credit agreements to be negotiated as detailed in A.83-05-11 and earlier applications and Commission decisions including the most recent D.83-06-046 dated June 15, 1983. By this application, CP National seeks to increase the amount of the authorization from \$25,000,000 to \$35,000,000.

The increased amount of bank notes will be used to raise funds for the short-term financing of CP National's utility construction program and other operations, pending permanent financing. CP National's present level of short-term debt authorization was set in 1981 in D.93429 (dated August 18, 1981), and CP National's substantially expanded operations since that time requires an increase in its total authorized short-term debt.

PU Code Section 823(c) requires public utilities to obtain the consent of this Commission to issue notes payable at not more than 12 months from the date of issuance if the total of the notes exceed 5% of the par value of other securities. As of March 31, 1983, the amount of notes which could be issued by CP National under PU Code Section 823(c) was \$6,149,000. The aggregate \$35,000,000 principal of bank notes would exceed the amount authorized.

CP National's consolidated capital ratios recorded as of March 31, 1983 and after giving effect to the proposed short-term bank debt and CP National's permanent financing plan covered in A.83-08-58, filed August 23, 1983, are as follows:

	<u>March 31, 1983</u>	<u>Pro Forma</u> ^{1/}	<u>Pro Forma</u> ^{2/}
Long-Term Debt	54.8%	52.1%	56.0%
Short-Term Debt	5.3	1.4	1.4
Total Debt <u>3/</u>	<u>60.1</u>	<u>53.5</u>	<u>57.4</u>
Preferred/Preference Stock	4.2	4.0	4.0
Common Equity	<u>35.7</u> 100.0%	<u>42.5</u> 100.0%	<u>38.6</u> 100.0%

The application states that the foregoing ratios are significantly affected by the inclusion of the separate indebtedness of CP National's operating telephone subsidiaries in the consolidated figures it is required to use for financial statement presentation. Much of the operating telephone companies' debt is comprised of REA 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:

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- 1/ Assumes \$20,000,000 common stock financing.
 - 2/ Assumes \$10,000,000 common stock and \$10,000,000 long-term debt financing.
 - 3/ Includes \$39,124,00 of subsidiary long-term debt and \$2,038,000 of subsidiary short-term debt.

	<u>March 31, 1983</u>	<u>Pro Forma</u> ^{1/}	<u>Pro Forma</u> ^{2/}
Long-Term Debt	46.8%	44.2%	48.8%
Short-Term Debt	5.3	.7	.7
Total Debt	<u>52.1</u>	<u>44.9</u>	<u>49.5</u>
Preferred/Preference Stock	5.1	4.8	4.8
Common Equity	<u>42.8</u> 100.0%	<u>50.3</u> 100.0%	<u>45.7</u> 100.0%

CP National is engaged in an extensive construction program and estimates that the gross expenditures required for this construction program for the years 1983 and 1984 will approximate \$16,500,000 and \$16,610,000, respectively. CP National estimates that internally generated funds will provide approximately 48% of the 1983 capital expenditures and 71% of the 1984 capital requirements. Thus, CP National anticipates that the bank notes will be necessary to help it meet its requirement for external financing on an interim basis.

The Commission's Revenue Requirements Division has analyzed CP National's cash requirement forecast and has concluded that the issuance of up to \$35,000,000 of bank notes is necessary to help CP National meet forecasted cash requirements. The Division has also reviewed CP National's 1983-1984 construction

^{1/} Assumes \$20,000,000 common stock financing.
^{2/} Assumes \$10,000,000 common stock and \$10,000,000 long-term debt financing.

program and finds that the financing is necessary to fund the planned construction expenditures. The Commission is not finding that the construction is necessary and reasonable nor that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings.

Findings of Fact

1. CP National, a California corporation, operates under the jurisdiction of this Commission.
2. The proposed issuance of additional bank notes would be for proper purposes.
3. CP National has need for external funds for the purposes set forth in the application.
4. The proposed bank notes are not adverse to the public interest.
5. The time limit of July 1, 1985, within which the proposed additional bank notes can be issued, is reasonable and in the public interest.
6. The money, property, or labor to be procured or paid for by the bank notes is reasonably required for the purposes specified in the application.
7. 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.

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

The following order should be effective on date of signature and payment of the fee to enable CP National to issue its short-term debt 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 short-term obligations in the amount of \$10,000,000 in addition to the \$25,000,000 previously authorized by D.83-06-046 in A.83-05-11, a total not to exceed \$35,000,000 aggregate principal amount, including that allowable under PU Code Section 823(c), promissory notes and notes refunding, renewing, and extending these notes, under line of credit agreements to be negotiated as detailed in this application, D.92025, dated July 15, 1980 in A.59709,

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and D.93409 dated August 18, 1981 in A.60727. This authority shall remain in effect through July 1, 1985 and will cover renewals, extensions, or replacements of these notes.

2. CP National shall apply the net proceeds from the bank notes for the purposes set forth in the application.

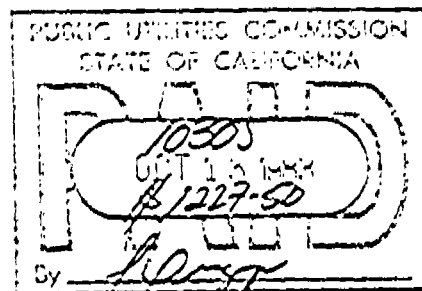
3. Within ten business days after the execution of any line of credit agreement, or any renewal, extension, replacement, or modification of them, CP National shall file a true copy of the credit agreement with the Commission.

4. CP National shall file the reports required by General Order No. 24.

5. The authority granted by this order will become effective when CP National pays \$1,227.50, the fee prescribed by PU Code Section 1904(b) and 1904.2. In all other respects, this order is effective today.

Dated OCT 5 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners



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

[Signature]
Joseph E. Bodovitz, Executive Director