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Decision No. 88998 JUN 27 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)	
)	
CALIFORNIA-PACIFIC UTILITIES)	Application No. 58062
COMPANY, a California corporation,)	(Filed May 9, 1978)
)	and Amendment
for authority to issue bank notes.)	(Filed May 11, 1978)

O P I N I O N

CP National Corporation (CP National)^{1/} requests authority to issue and reissue short-term promissory notes in an aggregate principal amount of \$20,000,000 pursuant to renewed lines of credit with Bank of America National Trust and Savings Association (Bank of America) and Lloyds Bank California (Lloyds).

CP National is a California corporation engaged in public utility operations in California, Nevada, Oregon, Arizona and Utah. The company is also engaged in the nonutility sale of propane in Oregon. CP National provides electric, gas, water and telephone services in California.

Monthly financial reports filed with the Commission during 1978 indicate that CP National, in the twelve months ended March 31, 1978, generated operating revenues of \$74,369,118 and net income of \$4,381,953.

By Decision No. 87782, dated August 30, 1977 in Application No. 57485, CP National was granted authority to issue and reissue up to \$10,000,000 in short-term promissory notes pursuant to lines of credit with Bank of America and Lloyds. Copies of the credit agreements with each bank were attached to Application No. 57485 and are incorporated in this application by reference.

^{1/} On May 8, 1978, California-Pacific Utilities Company changed its name to CP National Corporation.

The application indicates that the line of credit with Bank of America would increase from \$5,000,000 to \$10,000,000. The terms would be essentially the same as those set forth in Exhibit A to Application No. 57485, except that the 90-day demand notes would bear interest at 108% of the prime commercial loan rate instead of 109%. The commitment fee would remain at 9% times the bank's monthly average prime rate times the commitment per annum and would be payable monthly. Thus, if the bank's prime rate were 8-1/4%, the interest rate would be 8.91%, and if the average monthly prime rate were 8.00%, the annual fee would be \$72,000 ($.09 \times .08 \times \$10,000,000$) and monthly payments would be \$6,000. The credit agreement would expire June 30, 1979.

The utility's line of credit with Lloyds would also increase from \$5,000,000 to \$10,000,000, and would expire July 31, 1980. This agreement would be similar to that submitted as Exhibit B to Application No. 57485. The latter agreement expires June 30, 1978. Borrowings would be evidenced by domestic notes, Eurodollar notes and acceptance drafts.

Domestic notes would bear interest at an annual rate of 110% of Lloyds prime rate and would be issued in principal amounts of not less than \$500,000 or if greater, in multiples of \$100,000. All amounts would be repaid no later than 90 days following July 31, 1980 and no domestic loan would have a term of more than one year.

Eurodollar notes in principal amounts of \$500,000 plus multiples of \$100,000 would accrue interest at a rate of 3/4 of 1% over the London Inter Bank Offer Rate in effect for 30, 60, 90, or 180 day rates. All amounts would be repaid no later than the 180th day following July 31, 1980.

Acceptance loans up to \$1,000,000 would be evidenced by Lloyds acceptance on drafts of CP National presented from time to time on or before July 31, 1980. Such loans would be subject to discount by Lloyds at the then current commercial rate for prime banker's acceptances of equal tenor and amount charged by Lloyds. A draft would not be payable more than 180 days after the date it is actually accepted by Lloyds and in no event later than the 180th day following July 31, 1980. In addition to the discount rate, an acceptance commission equal to 1-1/2% per annum times the acceptance loan would be payable in full on the date the loan is made. On the last day of each calendar quarter, CP National would pay to Lloyds a commitment fee at the rate of 1/4 of 1% per annum on the average daily unused amount of Lloyds original commitment during the calendar quarter if the aggregate borrowing on an average daily basis should be less than 50% of the initial \$5,000,000 bank commitment.

With regard to the second \$5,000,000 of borrowings, the commitment fee would be 3/8 of 1% charged on the unused portion. Under this \$10,000,000 line of credit arrangement with Lloyds, if \$5,000,000 were borrowed, a loan fee of \$18,750 would be applied to the unused second \$5,000,000 and if a total of \$10,000,000 were borrowed, no loan fee would be paid.

The credit available under the agreements replaces and refunds or extends similar credit evidenced by notes previously authorized by Decision No. 87782.^{2/} The proceeds of all notes or

^{2/} Bank notes have been authorized in previous decisions for CP National, as follows:

<u>Decision</u>	<u>Date</u>	<u>Application</u>	<u>Amount/Explanation</u>
87782	8/30/77	57485	\$10,000,000
87683	8/9/77	55365	Extended expiration date of D.83862.
83862	12/17/74	55365	\$10,333,608 in excess of the amount permitted by Section 823(c) of the Public Utilities Code.

acceptances issued under the new credit agreements will continue to be used to finance, in part, CP National's construction program on an interim basis, and partly for accelerated redemptions of 10.8% preferred stock, bond sinking funds and maturities.

CP National expects that the line of credit with Bank of America will be extended from June 30, 1979 for successive one-year periods and that the agreement with Lloyds will be extended, renewed or in some fashion replaced with a similar credit arrangement in the future. Some notes may extend beyond 12 months from the date of original issuance and the aggregate principal amount of notes outstanding from time to time would include notes which CP National would be entitled to have outstanding under Section 823(c) of the Public Utilities Code.

Section 823(c) requires public utilities as defined in Section 201(e) of the Federal Power Act (49 Stat. 847, 16 U.S.C. 824) 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 such notes exceeds 5% of the par value of other securities outstanding. CP National is such a utility. As of March 31, 1978, the amount of notes which could be issued by CP National pursuant to Section 823(c) of the Public Utilities Code was approximately \$3,500,000. The \$20,000,000 aggregate principal amount of notes covered by the new credit agreements would, therefore, include an amount of \$16,500,000 beyond that authorized by Section 823(c).

CP National's pro forma capital ratios as of March 31, 1978, adjusted to reflect the \$20,000,000 maximum of short-term borrowings, are as follows:

<u>Component</u>	<u>March 31, 1978 Pro Forma</u>
Long-term debt	41.93%
Short-term debt	16.57
Preferred stock	9.24
Common stock equity	<u>32.26</u>
Total	<u><u>100.00%</u></u>

The Finance Division observes that CP National's pro forma debt ratio of 58.50% would be slightly above the 55% average maintained by the utility in recent years. The applicant is, therefore, placed on notice that future financing should be aimed toward a debt ratio of 55% or less. In other respects, the Finance Division concludes that the proposed short-term note issues are needed to finance the company's construction program and to provide cash for maturing bonds, sinking funds and redemption of preferred stock.

In reply to the staff's request, CP National submitted on June 13, 1978, a summary of its estimated capital budget for 1978 indicating estimated expenditures of \$13,478,126. The summary is identified herein as Exhibit 1. The Operations Division evaluated and compared these estimates with past construction budgets and presently is analyzing the utility's construction program in connection with CP National's applications for rate increases. The Operations Division concludes that the contemplated increase in credit lines is not unreasonable relative to projected 1978 construction expenditures and, therefore, does not object to the proposal.

After consideration the Commission finds that: (1) the proposed notes and acceptances would be for proper purposes; (2) the money, property or labor to be procured or paid for by the notes and acceptances herein authorized is reasonably required for the purposes specified herein; and (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. There is no known opposition and no reason to delay granting the authority requested in the application. A public hearing is not necessary. Because CP National will be required to exceed its prior authorization shortly, the utility requests an order effective upon payment of the prescribed fee.

On the basis of the foregoing findings we conclude that the application should be granted. The action taken herein shall not be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates, nor as indicative of the action the Commission would take on an application, or applications, for permanent financing.

O R D E R

IT IS ORDERED that:

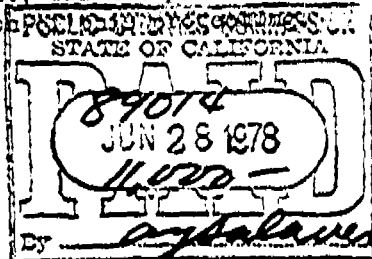
1. CP National Corporation, on or after the effective date hereof, on the terms and for the purposes set forth in the application, may issue promissory notes and acceptance drafts, and notes and drafts refunding them, in the aggregate principal amount of not exceeding \$20,000,000 at any one time outstanding, said sum to include the amount of notes which the applicant would be entitled to have outstanding from time to time under Section 823(c) of the Public Utilities Code. The last of said notes and acceptances shall be due and payable not later than June 30, 1981.

2. On or before the tenth day of each month, CP National Corporation shall file with the Commission a summary for the preceding month showing the aggregate amount of notes and acceptances issued hereunder and the purposes for which they were issued. The filing shall be in lieu of reports under General Order No. 24-B.

3. This order shall become effective when CP National Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$11,000.

Dated at San Francisco, California, this 27th day of JUNE 1, 1978.

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this matter.



President
William J. Quinn
George J. Sturgeon
Robert D. Hall
Clair J. Smith
Commissioners