

A.59577 RR/mcm

Decision No. 91747 MAY 6 1980

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)
 and sell up to 100,000 shares of its)
 Common shares, \$5 par value.)

Application No. 59577
 (Filed April 7, 1980)

O P I N I O N

CP National Corporation (CP National) seeks authority, pursuant to Sections 816 through 818 of the Public Utilities Code, to issue and sell not exceeding 100,000 shares of its common stock having a par value of \$5 per share in accordance with its Dividend Reinvestment and Stock Purchase Plan (Plan). Notice of the filing of the application was published in the Commission's Daily Calendar of April 9, 1980.

CP National is a California corporation engaged in public utility operations in Oregon, California, Nevada, Utah and Arizona. CP National provides electric, gas, telephone and water services in the State of California. Based on its annual report to stockholders for the year ended December 31, 1979, CP National generated total operating revenues of \$88,506,467 and net income of \$4,901,000. A total of 23.2 percent of CP National's total operating revenue was earned in the State of California.

CP National proposes to issue not exceeding 100,000 shares of Common Stock, \$5 par value, to existing shareholders pursuant to Applicant's Plan. The amount of stock for which authorization is requested is based upon CP National's best estimate of the number of shares to be issued under the Plan for a period of approximately 10 years. CP National intends to commence offering the Plan prior to the payment of its second quarter dividend on June 18, 1980.

Under the Plan, new shares of CP National's common stock are proposed to be issued and sold quarterly. The price to be paid for the shares purchased with dividends will be at 5 percent discount from the market price of the stock. Optional cash payments will be invested at the market price. The five percent discount will not apply to shares of stock purchased with optional cash payments. For purposes of the Plan, the market price will equal the average of the high and low sale prices of trades in CP National's common stock on the investment dates as reported in the composite transaction quotations published in the Western Edition of the Wall Street Journal. CP National cannot predict how many of its proposed shares of common stock will be sold nor the price that will be paid for them. The application, therefore, covers a maximum of 100,000 shares of the stock at the current price of \$13.25 per share, estimated to provide net proceeds of \$1,325,000. Bank of America National Trust and Savings Association will administer the Plan for the participants.

As of December 31, 1979, CP National's uncapitalized construction expenditures amounted to approximately \$21,110,877. The utility would use the proceeds from the issue and sale of the proposed common stock to reimburse itself for monies actually expended from income or other monies in its treasury and not secured by or obtained from the issue of stock or stock certificates or other evidences of interest or ownership or bonds, notes or other evidences of indebtedness, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities exclusive of maintenance of service and replacements.

CP National's capital ratios as of December 31, 1979, recorded and as adjusted to give effect to (a) the issuance of the proposed 100,000 shares of common stock under the Plan at an assumed sale price of \$13.25 per share to provide gross proceeds of \$1,325,000 and (b) the issuance of 27,990 preference shares to be issued in connection with the acquisition of Tuolumne Telephone Company^{1/} are as follows:

1/ Decision No. 91746, dated MAY 6 1980
in Application No. 59478.

	<u>December 31, 1979</u>	<u>Pro Forma</u>
Long-Term Debt	54.6%	52.8%
Short-Term Debt	<u>3.6</u>	<u>3.4</u>
Total Debt	58.2	56.2
Preferred Stock	9.1	8.8
Preference Stock	-	2.3
Common Equity	<u>32.7</u>	<u>32.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>

CP National is engaged in an extensive construction program and estimates that the gross expenditures required for such construction program during the year 1980 will approximate \$16,900,000. Exhibit D, attached to the application, sets forth in detail CP National's construction program, estimated as of April 4, 1980, as follows:

<u>Department</u>	<u>1980</u>
Electric	\$ 8,800,000
Gas	2,200,000
Water	600,000
Telephone	5,200,000
General Office	<u>100,000</u>
Total	<u>\$16,900,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed CP National's 1980 construction program and believes that the estimated construction expenditures are reasonable and has no objection to the proposed security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

CP National's cash requirements for the fiscal years ended December 31, 1980 and 1981, estimated as of April 4, 1980, are as follows:

	<u>Amount</u>
Net Utility Plant Investment at December 31, 1979	<u>\$121,435,653</u>
Less Outstanding at December 31, 1979:	
Common Stock and Premium on Common Stock and Other Capital	22,313,672
Preferred Stock Including Current Maturities	10,732,680
Long-Term Debt Including Current Maturities Net of Unamortized Issuance Cost	64,278,424
Notes Payable to Banks	<u>3,000,000</u>
Total	<u>100,324,776</u>
Balance, Unreimbursed Construction Expenditures at December 31, 1979	<u>\$ 21,110,877</u>

The Revenue Requirements Division of the Commission's staff has analyzed CP National's cash requirement forecast and has determined that internally generated funds will provide 62 percent of the capital expenditures estimated for 1980. The Revenue Requirements Division has concluded that the proposed issuance of the proposed common stock will be necessary to help CP National meet forecasted cash requirements.

Findings of Fact

1. CP National is a California corporation operating under the jurisdiction of this Commission.
2. The proposed issuance of the new stock would be for a proper purpose.
3. CP National has need for external funds for the purpose set forth herein.

4. The Dividend Reinvestment and Stock Purchase Plan is not adverse to the public interest.

5. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

6. 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 herein, we place CP National and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant and that the authorization herein granted is not to be construed as a finding of value of the company's stock or properties nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. CP National Corporation, on or after the effective date hereof, may issue, sell and deliver not exceeding 100,000 shares of its Common Stock, \$5 par value, substantially in accordance with the description of the Dividend Reinvestment and Stock Purchase Plan set forth in Exhibit C, attached to the application.

2. CP National Corporation shall apply the net proceeds from the sale of its Common Stock, \$5 par value, herein authorized for the purpose set forth in the application.

3. On or before the twenty-fifth day of each month, CP National Corporation shall file with the Commission a summary for the preceding month showing the total number of shares issued under the authority herein granted, the price or prices at which such shares were issued, the total proceeds received and the purpose for which the proceeds were used. These filings shall be in lieu of reports under General Order No. 24-B.

4. This order shall become effective when CP National Corporation has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$616.

Dated MAY 6 1980, at San Francisco, California.

John E. Guyon
President

William L. Steingard

Richard W. Howell

Clare J. Special

Thomas J. ...

Commissioners

