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Decision No. 92025 JUL 15 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)
 bank notes.)

Application No. 59709
(Filed June 4, 1980)

O P I N I O N

CP National Corporation (CP National) requests authority to issue short-term promissory notes for an indefinite period in an aggregate principal amount not exceeding \$20,000,000 including that authorized by Section 823(c) of the Public Utilities Code at any one time outstanding. Notice of the filing of the application appeared on the Commission's Daily Calendar of June 6, 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 seeks authority, pursuant to Section 823(c) of the Public Utilities Code, to issue short-term financing not exceeding \$20,000,000 evidenced by promissory bank notes to replace, refund or extend present bank credit agreements. Under Decision No. 88998, dated June 27, 1978, in Application No. 58062, extended and modified by Decision No. 89259, dated August 27, 1978 and Decision No. 91194, dated January 1, 1980, the utility had prior authorization to exceed the limits set by Section 823(c). Because the terms, amount borrowed, banks providing the loans, and termination dates have changed since

the Commission issued Decision No. 88998, the present application was filed by CP National to make further modifications in the short-term borrowing arrangements to finance its construction program and to refund its short-term notes currently expiring. Applicant needs no additional authority for its \$20,000,000 authorization granted by Decision No. 88998 which remains in effect. This authority was extended and modified in later decisions. The following summary is a computation of short-term borrowing which would exceed the limit provided in Section 823(c) of the Public Utilities Code as of December 31, 1979:

<u>Description</u>	<u>Amount</u>
Common Stock (1,682,955 shares, \$5 par value)	\$ 8,414,775
Preferred Stock (536,634 shares, \$20 par value)	10,732,680
First Mortgage Bonds	47,187,000
Debentures	14,970,000
Mortgage Notes	420,000
Oregon Economic Development Bonds	<u>3,000,000</u>
Total	<u>\$84,724,455</u>
5% Allowable Under Section 823(c)	<u>\$ 4,236,222</u>
Requested Amount of Short-Term Financing <u>1/</u>	\$20,000,000
Less Amount Allowed Under PUC Code Section 823(c)	<u>4,236,222</u>
Balance of Request	<u>\$15,763,778</u>

1/ Authorized by Decision No. 88998, dated June 22, 1978, in Application No. 58062.

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Since the fee prescribed by Section 1904(b) of the Public Utilities Code was paid under Decision No. 83862, dated December 17, 1974, and Decision No. 88998, dated June 27, 1978, no fee will be owing for this order.

The purpose of the proposed bank notes is to raise funds for short-term financing of CP National's construction program. CP National's plans for the permanent financing of its ongoing construction program include the refunding of its short-term notes from time-to-time outstanding. CP National expects that, during the terms of the proposed bank credit agreements, its bank borrowings might not at any one time be reduced to zero. As described in the application, CP National is in the process of negotiating with several banks for extensions or replacements of credit agreements presently aggregating \$20,000,000. The credit which will be available under these agreements will replace and refund or extend similar credit:

<u>Lender</u>	<u>Outstanding Credit</u>	<u>Date of Expiration</u>
Bank of America (B of A) ^{2/}	\$ 8,000,000	June 30, 1980
Lloyds Bank of California (Lloyds)	5,000,000	July 31, 1980
Union Bank of Bavaria (Union)	<u>7,000,000</u>	June 26, 1981
Total	<u><u>\$20,000,000</u></u>	

The exact terms of the new proposed credit agreements are not known at this time. CP National expects present agreements to be extended, renewed, or replaced with similar credit arrangements for successive periods beyond their respective termination dates. These are expected to be modified as market conditions warrant in order to achieve the lowest interest rate available to CP National. Accordingly, CP National is in a position to continue its bank financing of construction and may extend some

^{2/} In the present application, CP National plans to convert this to \$5,000,000 in domestic dollars and \$3,000,000 in Eurodollars.

notes beyond 12 months from the date of original issuance. CP National anticipates that it will continue to have outstanding, from time-to-time, bank debt in excess of 5% of the par value of its capitalization as calculated under Section 823(c) of the Public Utilities Code.

In order to have adequate flexibility with respect to the timing, amount and ultimate maturity of its interim bank financing arrangements, CP National requests authority from the Commission to issue bank notes pursuant to the lines of credit, renewals, extensions and/or replacements thereof to be negotiated as described in the application. In order to facilitate the timely continuation of short-term bank lending arrangements, CP National requests that the Commission's authorization be for an indefinite duration for up to \$20,000,000 of bank debt, and all renewals, extensions and replacements thereof, subject to CP National furnishing the Commission copies of the definitive credit agreements and written notice of any change in borrowing terms. The commitment fee to Union Bank of Bavaria will be increased from 1/4 of 1% to 3/8 of 1% as required by current market conditions.

The staff of the Commission's Revenue Requirements Division has reviewed CP National's request for an authorization to issue \$20,000,000 of bank debt for an indefinite period. In order for the Commission to review and retain control over utility financing, it is necessary to place a time limit on the authority granted in this proceeding. Of the current short-term notes outstanding, the first (B of A) expired June 30, 1980, and the latest (Union) will expire June 26, 1981. The staff recommends the Commission place a time limit of two to three years into the future in which its authority can be exercised. The staff recommends the Commission place a time limit of July 1, 1983, on CP National's authorization and believes this period to be reasonable. The Commission concludes that the staff's request is reasonable and therefore the time limit will be adopted. ✓

CP National's capital ratios as of December 31, 1979, recorded and as adjusted to give effect to (a) the issuance of 100,000 shares of common stock under its Dividend Reinvestment and Stock Purchase Plan at an assumed sale price of \$13.25 per share to provide gross proceeds of \$1,325,000,^{3/} (b) the issuance of 27,990 preference shares to be issued in connection with the acquisition of Tuolumne Telephone Company,^{4/} and a twelve-month \$4,500,000 average amount of bank notes outstanding, are as follows:

	<u>December 31, 1979</u>	<u>Pro Forma</u>
Long-Term Debt	54.6%	52.1%
Short-Term Debt	<u>3.6</u>	<u>4.6</u>
Total Debt	58.2	56.7
Preferred Stock	9.1	8.7
Preference Stock	-	2.3
Common Equity	<u>32.7</u>	<u>32.3</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 the construction program during the year 1980 will approximate \$16,900,000. Exhibit B, 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>	<u>1981</u>
Electric	\$ 8,800,000	\$15,800,000
Gas	2,200,000	5,700,000
Water	600,000	500,000
Telephone	5,200,000	10,600,000
General Office	<u>100,000</u>	<u>100,000</u>
Total	<u>\$16,900,000</u>	<u>\$32,700,000</u>

^{3/} Decision No. 91747, dated May 6, 1980, in Application No. 59477.

^{4/} Decision No. 91746, dated May 6, 1980, in Application No. 59478.

The staff of the Commission's Revenue Requirements Division has reviewed CP National's 1980 construction program and concludes that the estimated construction expenditures are reasonable. The staff has no objection to the proposed bank note issues 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 are estimated as follows:

	(Dollars in Thousands)	
	<u>1980</u>	<u>1981</u>
Total Financing Requirement:		
Construction Expenditures ^{5/}	\$14,848	\$32,700
Debt and Preferred Stock Sinking Fund Payments	595	743
Series D Bonds Maturity	<u>975</u>	<u>-</u>
Total	<u>\$16,417</u>	<u>\$33,443</u>
Less Cash from Internal Sources:		
Reinvested Earnings	\$1,200	\$2,100
Depreciation and Amortization	6,886	7,575
Deferred Taxes	<u>1,140</u>	<u>1,743</u>
Total	<u>\$9,226</u>	<u>\$11,418</u>
Balance Required from External Sources	<u>\$7,191</u>	<u>\$22,025</u>
External Sources to be Used:		
New Issue of Common Stock	\$6,400	\$10,250
New Issue of Preferred Stock	-	2,500
New Issue Oregon Industrial Development Bonds	-	12,000
Increase (Decrease) in Bank Loans	<u>791</u>	<u>(2,725)</u>
Total	<u>\$7,191</u>	<u>\$22,025</u>

^{5/} Net of customer advances of approximately \$2,050,000.

The staff of the Commission's Revenue Requirements Division 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 and 35 percent of the capital requirements estimated for 1981. The Revenue Requirements Division has concluded that the proposed issuance of bank notes 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 bank notes would be for a proper purpose.

3. CP National has need for external funds for the purpose set forth herein.

4. The proposed bank financing arrangements are not adverse to the public interest.

5. The time limit of two to three years in which the Commission's authority can be exercised is reasonable and in the public interest.

6. The money, property or labor to be procured or paid for by the bank notes 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.

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 action taken herein is for the purpose of this proceeding only and is not to 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

1. CP National Corporation, on or after the effective date hereof may issue, sell, and deliver not exceeding \$20,000,000 aggregate principal amount, including that allowable under Section 823(c) of the Public Utilities Code, promissory notes and notes refunding, renewing and extending these notes, pursuant to the line of credit agreements to be negotiated as detailed in the application. This authority shall remain in effect through July 1, 1983, and will cover renewals, extensions, or replacements thereof.

2. CP National Corporation shall apply the net proceeds from the bank notes herein authorized for the purpose set forth in the application.

3. Within ten (10) business days after execution of any line of credit agreement, or any renewal, extension, replacement or modification thereof, CP National Corporation shall file a true copy of each agreement with the Commission.

4. This order shall become effective as of the date hereof since CP National Corporation has already paid the fee prescribed by Section 1904(b) of the Public Utilities Code in connection with Decision No. 83862, dated December 17, 1974 and Decision No. 88998, dated June 27, 1978.

Dated JUL 15 1980, at San Francisco, California.

John E. Sison
President
Herman L. S. Thompson
Richard D. Howell
Clair J. DeFuria
Samuel J. Smith
Commissioners