

ORIGINAL

Decision No. 92941 APR 21 1981

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 30,000 shares of its)
 Common shares, \$5 par value, and up to)
 \$1,100,000 principal amount of Notes.)

Application 60261
(Filed February 10, 1981)

O P I N I O N

CP National Corporation (CP National) requests authority, pursuant to Sections 816 through 818 of the Public Utilities Code, for the following:

1. To issue and sell up to 30,000 shares of its Common Stock, \$5 par value, estimated to provide proceeds of \$416,250 and
2. To issue and sell a Promissory Note(s) (Note(s)) up to \$1,100,000 aggregate principal amount.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of February 19, 1981. No protests have been received.

CP National, a California corporation, engages 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 supplemental information furnished with the Application, for the year ended December 31, 1980, CP National generated total operating revenues of \$109,906,000 and net income of \$6,715,000. The company reports it earned 24.7% of its total consolidated operating revenue in California.

CP National's Consolidated Balance Sheet as of September 30, 1980, shown as a part of Exhibit A attached to the Application is summarized as follows:

| <u>Assets</u> | <u>Amount</u> |
|-----------------------------------|----------------------|
| Net Utility Plant | \$139,661,000 |
| Net Nonutility Property | 146,000 |
| Current Assets | 19,857,000 |
| Deferred Charges | <u>3,728,000</u> |
| Total. | <u>\$163,392,000</u> |
| <u>Liabilities and Equity</u> | |
| Common Stock Equity | \$ 40,421,000 |
| Preferred Stock | 12,283,000 |
| Long-Term Debt | 72,376,000 |
| Current Liabilities | 30,206,000 |
| Deferred Credits | <u>8,106,000</u> |
| Total | <u>\$163,392,000</u> |

CP National proposes to issue and sell up to 30,000 shares of its Common Stock, \$5 par value, and Note(s) in the aggregate principal amount up to \$1,100,000 in connection with CP National's acquisition of the business and assets of RAI Public Utilities Consultants, Inc. (RAI). The agreement with RAI, which is attached to the Application as Exhibit B, provides that the Notes will be in the aggregate principal amount of \$1,036,000, increased by the amount of any additional property acquired by RAI after January 24, 1981, and before the closing date, which is not expected to exceed \$64,000. The Note(s) will bear interest at the rate of 11% per annum and will mature in eight equal annual installments. In addition to the common stock and the Note(s) CP National will pay RAI \$416,550 in cash.

The Application states that RAI is a privately held firm based in Anchorage, Alaska, providing management consulting and engineering services to regulated industries, principally telephone utilities in Alaska, California and Nevada in connection with

construction financed by loans from the Rural Electrification Administration and in connection with toll settlements and separations studies. The consideration for the acquisition was arrived at by arm's-length negotiations of the parties. CP National intends to continue the business of RAI through a wholly owned subsidiary under the name RAICON, which will be operated totally separate from CP National's utility business. CP National believes that the acquisition of RAI will be a natural complement to its regulated utility operations, aid in diversifying its operations and augmenting its earnings, thus enhancing the marketability of its securities. According to the financial statements of RAI attached to the Application as Exhibit C, for the year ended August 31, 1980 and the three months ended November 30, 1980, respectively, RAI had operating revenues of \$919,000 and \$403,000 and operating income of \$157,000 and \$140,000. The stockholders' equity of RAI at November 30, 1980 was about \$968,000.

CP National's capital ratios as of September 30, 1980, recorded and as adjusted to give effect to the following:

1. The proposed sale and issuance of up to 30,000 shares CP National's Common Stock, \$5 par value, to produce net proceeds of \$416,250; the proposed sale and issuance of a Note(s) in the aggregate principal amount of up to \$1,100,000; and
2. The issuance and sale of 400,000 shares of common stock on January 14, 1981, (D.92454, dated December 2, 1980, in A.60057)

are as follows:

| | <u>September 30, 1980</u> | <u>Pro Forma</u> |
|----------------------------|---------------------------|------------------|
| Long-Term Debt | 53.5% | 53.7% |
| Short-Term Debt | <u>7.6</u> | <u>2.5</u> |
| Total Debt | 61.1 | 56.2 |
| Preferred/Preference Stock | 9.2 | 9.1 |
| Common Equity | <u>29.7</u> | <u>34.7</u> |
| Total | <u>100.0%</u> | <u>100.0%</u> |

The staff of the Commission's Revenue Requirements Division has reviewed CP National's request to issue and sell common stock and Note(s) to acquire the business and assets of RAI Public Utilities, Inc., an Alaskan corporation. The staff has concluded the proposed acquisition is compatible with CP National's present operations and considers the request to be reasonable and not adverse to the public interest. The Legal Division has also determined that the proposed transaction is compatible with Section 817(a) of the PU Code which provides that securities may be issued for the acquisition of property.

Findings of Fact

1. CP National, a California corporation, operates under the jurisdiction of this Commission.
2. The proposed issuance of the common stock and the Note(s) would be for a proper purpose and is not adverse to the public interest.
3. The proposed acquisition is reasonable and not adverse to the public interest.
4. The money, property or labor to be procured or paid for by the common stock and Note(s), herein authorized, is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, chargeable to operating expenses or to income.
5. 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 or the dividends paid as measuring the return it should be allowed to earn on its investment in plant. The authorization, herein granted, is not to be construed as a finding of value of the company's stock or properties or 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:

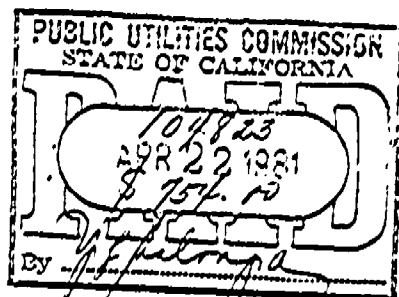
1. CP National Corporation, on or after the effective date hereof, may issue, sell and deliver up to 30,000 shares of its Common Stock, \$5 par value, and up to \$1,100,000 principal amount of Promissory Note(s) in accordance with the terms and conditions set forth in the Application.

2. CP National Corporation shall apply the net proceeds from the sale of its common stock and Promissory Note(s) to effect the acquisition of the business and assets of RAI Public Utilities Consultants, Inc., in the manner set forth in the Application.

3. CP National Corporation shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective when CP National Corporation has paid the fee prescribed by Sections 1904.1 and 1904.2 of the Public Utilities Code, which fee is \$754.

Dated APR 21 1981, at San Francisco, California.



J. G. Guyer
President

Richard D. [Signature]

[Signature]

Victor Calvo

Stanley C. Green
Commissioners