

Decision 93743 NOV 13 1981

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 sell)
Common Stock, \$5 par value.)

Application 60973
(Filed October 9, 1981)

O P I N I O N

CP National Corporation (CP National) requests authority, under Public Utilities (PU) Code Sections 816 through 830, to sell Common Stock, \$5 par value.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 14, 1981. No protests have been received.

CP National, a California corporation, directly and through its subsidiaries, engages in public utility operations in Oregon, California, Nevada, Texas, Utah, New Mexico, and Arizona. The company provides electric, gas, telephone, and water service in the State of California.

For the calendar year 1980, CP National generated total consolidated revenues of \$109,906,000 and net income of \$6,715,000. CP National's total consolidated revenues for the 12 months ended

June 30, 1981 were \$117,462,000 and net income of \$6,914,000. The company reports it earned 24.7% of its total consolidated operating revenues in California.

CP National's Consolidated Balance Sheet as of June 30, 1981, shown as part of Exhibit A attached to the application, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$155,502,000
Net Nonutility Property	428,000
Current Assets	21,344,000
Deferred Charges	5,511,000
Total	<u>\$182,785,000</u>
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$ 50,626,000
Preferred Stock	11,411,000
Long-Term Debt	73,094,000
Current Liabilities	36,555,000
Deferred Credits	11,099,000
Total	<u>\$182,785,000</u>

CP National proposes to issue and sell up to 35,000 shares of its Common Stock, \$5 par value (the Stock) to the Trust maintained under the Employee Stock Ownership Plan of its subsidiary, Great Southwest Telephone Corporation (GSTC). Prior to CP National's acquisition of GSTC, the Trust held 29,704 shares of GSTC common stock. As a result of the acquisition, these shares were converted into approximately \$535,000 in cash. This amount

has been increased by subsequent contributions by GSTC and, together with interest earned on the total funds, is expected to amount to approximately \$700,000 at the time CP National is in a position to issue Stock to the Trust. Under federal tax law, unless the Trust were terminated and cash distributions made in accordance with the Plan, which CP National does not propose to do, the cash in the Trust must be reinvested in shares of CP National's stock. The Stock will be valued at its current market value on the New York Stock Exchange as of the date on which the Stock is issued to the Trust. CP National estimates that approximately 35,000 shares would be issued; however, since both the cash available in the Trust and the market price of the Stock on the date of issue cannot be known with certainty, CP National requests authorization to issue such number of shares of Stock as are necessary to accomplish the required reinvestment of the cash in the Trust. The proposed transaction affords CP National the opportunity to increase its common equity at a favorable price per share since the expenses of the issuance will be minimal. CP National has need for additional equity funds.

The proceeds of the sale of the common stock will be used by CP National to reimburse its treasury for unreimbursed construction expenditures which, at June 30, 1981, aggregated \$22,931,000.

CP National's consolidated capital ratios recorded on June 30, 1981 adjusted to December 31, 1981 to give pro forma effect to:

1. The issuance and sale of CP National's 16-1/2% Debentures due 1996 in the aggregate principal amount of \$15,000,000 on September 21, 1981 (Decision (D.) 93496 dated September 1, 1981 in Application (A.) 60777);
2. The increase in short-term debt authority from \$20,000,000 to \$25,000,000, an additional \$5,000,000 in short-term promissory bank notes (D.93429 dated August 18, 1981 in A.60727);
3. The issuance of \$48,000,000 in short-term debt for the acquisition of GSTC and the application of \$36,000,000 aggregate proceeds from the sales of utility property in Utah, Arizona, and Nevada to the GSTC purchase price and re-financing of the \$12,000,000 balance with long-term debt (D.93266 dated July 7, 1981 in A.60592);
4. The consolidation of \$28,249,000 of long-term debt on the books of GSTC;
5. The repayment of \$16,400,000 of short-term notes prior to December 31, 1981;
6. The reduction in other long-term debt in the amount of \$3,250,000 resulting from current maturities;

7. The proposed sale of 500,000 shares of Common Stock, \$5 par value, covered by A.60946 at the assumed price of \$19 per share to produce net proceeds of \$9,500,000;
8. The proposed sale of 35,000 shares of Common Stock, \$5 par value, covered by this application, in December 1981 to the Employee Stock Ownership Plan of GSTC at the assumed price of \$20 per share to produce net proceeds of \$700,000; and
9. Estimated retained earnings of \$1,500,000 covering the period of July through December 1981

are as follows:

	<u>June 30, 1981</u>	<u>Pro Forma</u>
Long-Term Debt ^{1/}	48.0%	60.4%
Short-Term Debt	11.7	.9
Total Debt	<u>59.7</u>	<u>61.3</u>
Preferred/Preference Stock	7.6	6.1
Common Equity	32.7	32.6
Total	<u>100.0%</u>	<u>100.0%</u>

^{1/} Includes \$9,628,000 of Tuolumne Telephone Company long-term debt.

The foregoing ratios are significantly affected by the inclusion of the separate indebtedness of CP National's operating telephone subsidiaries in the consolidated figures the company is required to use for financial statement presentation. Much of the

operating telephone companies' debt is comprised of Rural Electrification Administration 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:

	<u>June 30, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	44.7%	54.1%
Short-Term Debt	12.5	1.0
Total Debt	<u>57.2</u>	<u>55.1</u>
Preferred/Preference Stock	8.1	7.2
Common Equity	34.7	37.7
Total	<u>100.0%</u>	<u>100.0%</u>

CP National is engaged in an extensive utility construction program and estimates that the gross expenditures required for this construction program for the years 1981 and 1982.

will approximate \$25,689,000 and \$18,160,000, respectively, estimated as of September 1981 as follows:

	<u>1981</u>	<u>1982</u>
Electric	\$11,025,000 ^{1/}	\$ 5,026,000 ^{2/}
Gas	2,481,000	3,086,000
Telephone ^{3/}	8,882,000	9,851,000
Water	470,000	197,000 ^{2/}
Common Plant	2,831,000	0
Total	<u>\$25,689,000</u>	<u>\$18,160,000</u>

- 1/ Includes \$1,500,000 which is subject to reimbursement from Sierra Pacific Power Company.
- 2/ Assumes disposition of Utah/Arizona electric and Nevada electric and water.
- 3/ Excludes Tuolumne Telephone Co. and Great Southwest Telephone Corporation.

CP National estimates that internally generated funds will provide approximately 55% of the 1981 capital expenditures. Thus, CP National anticipates that the proceeds from the Common Stock offering will be necessary to help it meet its requirement for external financing on a permanent basis.

The Commission's Revenue Requirements Division has analyzed CP National's cash requirement forecast and has concluded that the issuance and sale of shares of CP National's common stock in the manner proposed in the application are necessary to help

CP National meet forecasted cash requirements. The Division has also reviewed CP National's 1981-82 construction program and has concluded that the program is necessary. The Division reserves the right to reconsider the reasonableness of any specific program and construction expenditures in future rate proceedings. ✓

Findings of Fact

1. CP National, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed issuance and sale of shares of CP National's common stock in the manner proposed in the application would not be adverse to the public interest.
3. CP National has need for external funds for the purpose set forth in the application.
4. The money, property, or labor to be procured or paid for by the proposed stock offering is reasonably required for purposes specified in the application, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.
5. There is no known opposition to the application 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 is required for this purpose. Proceeds from the security issue may not be charged to operating expenses or income.

The following order should be effective on the date of signature to enable CP National to issue the common stock expeditiously.

O R D E R

IT IS ORDERED that:

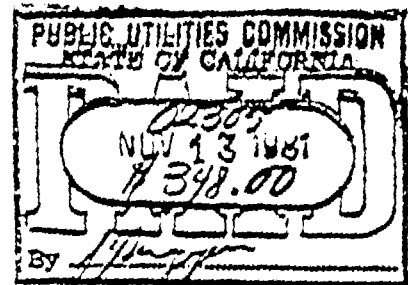
1. CP National Corporation (CP National), on or after the effective date of this order, may issue, sell, and deliver shares of its Common Stock, \$5 par value, in accordance with the terms and conditions set forth in the application.
2. CP National shall apply the net proceeds from the sale of the Common Stock to the purpose set forth in the application.
3. Promptly after CP National ascertains the price to be paid for the common stock and the aggregate proceeds of the sale, it shall notify the Commission in writing.

4. CP National shall file the reports required by General Order Series 24.

5. The authority granted by this order to issue stock will become effective when CP National pays \$348, the fee set by PU Code Sections 1904.1 and 1904.2. In all other respects this order becomes effective 30 days from today.

Dated NOV 13 1981, at San Francisco, California.

JOHN P. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners



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

Joseph E. Boscovitz
Joseph E. Boscovitz, Executive Director