

DEEM

Decision No. 15700.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 THE CALIFORNIA OREGON POWER COMPANY, )  
 a corporation, for an order of the )  
 Railroad Commission of the State of )  
 California: )  
 (a) Authorizing the issue and pledge )  
 of \$2,187,300.00 of Series "D" First )  
 and Refunding Mortgage Bonds; )  
 (b) The execution of a General and )  
 Refunding Mortgage covering all of )  
 its presently owned and hereafter )  
 acquired properties; )  
 (c) Authorizing the issue and sale )  
 of \$3,000,000. Series "A" General and )  
 Refunding Mortgage Bonds. )

Application No. 12081

Dunne, Brobeck, Phleger and Harrison, by W. I. Brobeck  
and J. E. Cook, for applicant.

BY THE COMMISSION:

O P I N I O N

The California Oregon Power Company asks the Railroad Commission to make an order:

1. Authorizing the company to execute and deliver to the Trustee under its proposed general and refunding mortgage, and to be held by said trustee as collateral to secure the payment of the bonds which may be issued under said general and refunding mortgage, \$2,187,300.00 of first and refunding mortgage 5-1/2 percent. sinking fund gold bonds of Series "D", to mature February 1, 1946.
2. Authorizing the company to execute a general and refunding mortgage to the Mercantile Trust Company of California, as trustee, said mortgage to be dated February 1, 1926, and to be a lien on all of the company's properties now owned or hereafter acquired.

3. Authorizing the company to issue and sell at not less than 93 percent of face value and accrued interest \$3,000,000.00 of 5-1/2 percent. Series "A" general and refunding mortgage gold bonds to mature February 1, 1946.

4. Authorizing the company to execute, issue and deliver temporary certificates to be hereafter exchanged for the bonds which it asks permission to issue.

The California Oregon Power Company has an authorized first and refunding mortgage bond issue of \$10,000,000.00. As of September 30, 1925 the company had outstanding bonds as follows:-

Series "A" 7-1/2s first and refunding . . . . .	\$1,870,300.00
Series "B" 6s first and refunding . . . . .	4,500,000.00
Series "C" 5-1/2s first and refunding . . . . .	<u>2,600,000.00</u>
Sub-total.....	8,970,300.00
Rogue River Electric Co. 5s . . . . .	583,000.00
Total .....	<u>\$9,553,300.00</u>

First and refunding bonds in the amount of \$583,000.00 are reserved to redeem or refund the Rogue River Electric Company bonds with the result that \$9,553,300.00 of the first and refunding bonds are now outstanding or are reserved to redeem or refund underlying bonds. In addition, \$129,700.00 of the first and refunding bonds have been issued and redeemed through the sinking fund created by the first and refunding mortgage. Adding the \$129,700.00 to the \$9,553,300.00 makes a total of \$9,683,000.00 of first and refunding mortgage bonds which the company has issued under said mortgage or reserved to redeem or refund underlying bonds. As stated, the total amount of bonds which may be issued under the first and refunding mortgage is limited to \$10,000,000.00. Deducting the \$9,683,000.00 from the \$10,000,000.00 leaves only \$317,000.00 of first and refunding mortgage bonds available for the financing of future construction.

By Decision No. 8731 dated March 10, 1921 in Application No. 6574 (Volume 19, Opinions and Orders of the Railroad Commission of California, page 487) the Railroad Commission authorized The California Oregon Power Company to issue \$1,849,000.00 of 7-1/2 percent bonds payable February 1, 1941. By Decision No. 9586 dated October 4, 1921 in Application No. 7169 (Volume 20, Opinions and Orders of the Railroad Commission of California, page 648) the Commission authorized the company to issue \$151,000.00 additional 7-1/2 percent Series "A" first and refunding mortgage bonds. The total amount of such bonds authorized by the Commission is \$2,000,000.00. As of September 30, 1925, \$1,870,300.00 of 7-1/2 percent bonds were outstanding.

The company intends to exercise the right reserved to itself and redeem the 7-1/2 percent bonds on February 1, 1926 at 110 and accrued interest. The first and refunding mortgage permits it to issue bonds under said mortgage in substitution for the 7-1/2 percent bonds. As stated, however, only \$317,000.00 of the first and refunding mortgage bonds remain available for financing the cost of additions and betterments. The company's stockholders on November 24th approved a resolution increasing its authorized bonded indebtedness from \$12,000,000.00 to \$50,000,000.00. The company intends to execute a new general and refunding mortgage to secure the payment of the increased authorized bonded indebtedness. At this time the company asks permission to issue and sell \$3,000,000.00 of general and refunding mortgage Series "A" bonds to bear interest at 5-1/2 percent per annum, and to mature February 1, 1946. The company asks permission to sell the bonds at not less than 93 percent of their face value and accrued interest. Of the proceeds realized from the sale of such bonds it asks permission to use \$2,066,000.00 to redeem the 7-1/2 percent Series "A" first and refunding mortgage bonds to pay expenses incident to the issue of the new bonds. The remaining proceeds estimated at not less than \$724,000.00, it asks

permission to use to pay indebtedness, incurred in connection with the construction of the company's hydroelectric plants, and additions and betterments to its other properties. It is of record that the company's current indebtedness amounts to approximately \$1,000,000 which is represented by short term notes bearing interest at the rate of 5-1/2 to 7 percent. per annum. The expenses incident to the issue of the \$3,000,000.00 of bonds should be paid out of the current income of the company.

John D. McKee, President of The California Oregon Power Company, testified that the refunding of the 7-1/2 percent. bonds through the issue of 5-1/2 percent bonds at ninety-three will result in a gross annual saving of about \$18,000.00 and a net annual saving of about \$8,000.00. The difference between the sums is the amount that must be set aside annually to amortize the \$351,000.00 increase in the bonded debt of the company caused by the refunding.

The company has not yet submitted to the Commission a copy of its proposed general and refunding mortgage. The testimony, however, shows that such mortgage is to be a lien on all the company's properties now owned or hereafter acquired and that there is to be deposited with the Trustee under the general and refunding mortgage, \$2,187,300.00 of the company's first and refunding Series "D" bonds, if the issue of such bonds and the deposit is permitted by the Commission. From time to time additional first and refunding bonds may be deposited.

None of the bonds herein authorized to be issued may be issued and delivered until the company has been authorized to execute a general and refunding mortgage and has complied with such other provisions of the order or orders in this proceeding which may be conditions precedent to the issue of the bonds.

#### ORDER

The California Oregon Power Company having applied to the Railroad Commission for permission to issue bonds in the amounts in-

licated in the opinion which precedes this order and execute a general and refunding mortgage, and issue temporary certificates to be exchanged for said bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in this order, that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should at this time be granted only to the extent as it affirmatively appears in this order, therefore,

IT IS HEREBY ORDERED that The California Oregon Power Company be, and it is hereby, after the effective date of this order, authorized to issue at not less than par, \$2,187,300.00 face value of Series "D" 5-1/2 percent first and refunding mortgage gold bonds due February 1, 1946, and deposit said bonds with the Trustee under its general and refunding mortgage, if applicant is hereafter authorized to execute such mortgage.

IT IS HEREBY FURTHER ORDERED that The California Oregon Power Company be, and it is hereby authorized, after the effective date hereof, to issue and sell at not less than 93 percent of the face value and accrued interest, \$3,000,000.00 of Series "A" 5-1/2 percent general and refunding mortgage gold bonds due February 1, 1946, and use \$2,057,330.00 of the proceeds to redeem the \$1,870,300.00 face value of outstanding Series "A" 7-1/2 percent first and refunding mortgage gold bonds and use the remainder of the proceeds, other than accrued interest, to pay indebtedness incurred to acquire or construct extensions, additions and betterments to applicant's properties. The accrued interest may be used for general corporate purposes.

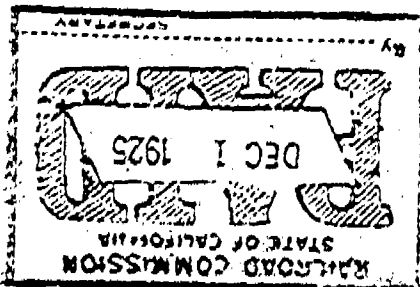
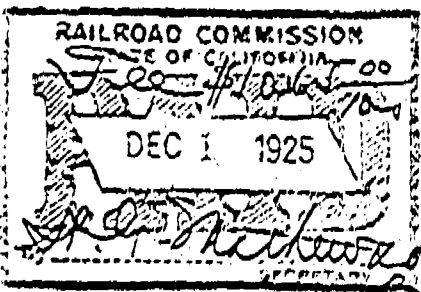
IT IS HEREBY FURTHER ORDERED that The California Oregon Power Company be, and it is hereby, authorized, after the effective date hereof, to issue temporary certificates to be thereafter ex-

changed for the bonds herein authorized to be issued, the issue of said temporary certificates being subject to all the terms and conditions under which said bonds may be issued.

IT IS HEREBY FURTHER ORDERED that The California Oregon Power Company shall keep such record of the issue, sale and delivery of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue bonds will not become effective until after applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$1,065.00, nor until the Commission has authorized applicant to execute a general and refunding mortgage to secure the payment of the \$3,000,000.00 of general and refunding mortgage bonds, nor until there has been filed with the Commission a detailed statement of applicant's construction expenditures from April to September, 1925, both months inclusive. Under the authority herein granted no bonds may be issued, sold or delivered after May 1, 1926.

DATED at San Francisco, California, this 20th day of November, 1925.



H. B. ...  
Chasey  
George D. ...  
Ernest ...  
Leon ...

Commissioners.