

Decision No. 23954.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE CALIFORNIA OREGON POWER COMPANY
for an order of the Railroad Commis-
sion of the State of California, auth-
orizing the issuance and sale of stock.)

Application No. 17554

Brobeck, Phleger & Harrison,
by Herman Phleger and James S. Moore, Jr.,
for applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

The California Oregon Power Company has applied to the Railroad Commission for authority to issue \$1,000,000.00 of its six percent preferred stock, series of 1927, in exchange for \$1,000,000.00 of its noncallable seven percent preferred stock and six percent preferred stock now outstanding, and to issue and sell, at not less than ninety-nine percent of par value, \$1,000,000.00 of six percent preferred stock, series of 1927, for the purpose of financing construction costs.

The company has an authorized capital stock of \$30,000,000., divided into 300,000 shares of the par value of \$100.00 each, of which there was outstanding as of May 30, 1931, 143,241 shares of the total par value of \$14,324,100.00. The classes of stock authorized and the

amounts of each outstanding are set forth in the application as follows:

CLASS OF STOCK	AUTHORIZED	OUTSTANDING
<u>PREFERRED:</u>		
Seven percent cumulative-noncallable	\$ 4,420,000.	\$ 2,883,000.
Six percent cumulative-noncallable	1,000,000.	1,000,000.
Six percent cumulative, series of 1927, callable at 110	9,580,000.	4,500,000.
TOTAL PREFERRED.....	\$ 15,000,000.	\$ 8,383,000.
<u>COMMON:</u>	15,000,000.	5,941,100.
TOTAL STOCK.....	\$ 30,000,000.	\$ 14,324,100.

By Decision No. 21135, dated May 21, 1929, (Vol. 33, Opinions and Orders of the Railroad Commission of California, page 106) the Commission authorized applicant to issue \$1,665,100.00 of its six percent preferred stock, series of 1927, in exchange for a like amount of seven percent preferred stock then outstanding. Under such authority \$1,500,000.00 of stock was reported exchanged prior to December 31, 1930, the date of expiration of the authority granted by the Commission.

It now is reported that certain of the holders of shares of the outstanding noncallable seven percent and six percent preferred stocks have offered to surrender their shares in exchange for shares of the callable six percent preferred stock, series of 1927, on a basis of par for par. Applicant urges that it be permitted to issue its six percent preferred stock, series of 1927, to effect the exchange in order that it might reduce its dividend charges and decrease the amount of noncallable stock outstanding.

In connection with the company's request to issue \$1,000,000. of stock to finance construction costs, it reports in its Exhibit "D", capital expenditures of \$5,331,884.48, not paid or provided for through the issue of securities as follows:

CONSTRUCTION BUDGET-1931:

Hydro development	\$165,444.00
Electric transmission	165,440.00
Electric substations	64,060.00
Electric distribution	344,722.00
Water plants and storage	17,754.00
Water distribution	153,431.00
Office and miscellaneous buildings	3,828.00
Office equipment	6,110.00
Transportation equipment	27,150.00
Tools and instruments(Red figure)	17,838.00
Sub-total.....	<u>\$930,101.00</u>
Prospect diversion project	1,968,000.00
Keno regulating dam	139,711.00
Iron gate project(purchase of lands, etc. for development on Klamath River in California)	203,542.00
Total budget	<u>3,241,354.00</u>
DEDUCT: Expenditures January to May, 1931	<u>393,086.00</u>
Balance of 1931 budget	<u>2,848,268.00</u>
Balance of construction expenditures to May 31, 1931 not used for issuance of securities as shown in General Order No. 24 reports	2,483,616.48
TOTAL.....	<u>\$5,331,884.48</u>

The issue of additional stock seems necessary to enable applicant to meet in part its capital requirements. If permitted to issue its stock the company proposes to dispose of it at not less than \$99.00 a share and to use not exceeding \$5.00 per share sold to pay commissions and selling expenses. While we will authorize the issue of stock under these conditions it is understood that any portion of the \$5.00 not needed to pay commissions and selling expenses must be used toward the financing of the capital costs referred to in this matter. While the order following authorizes the issue and sale of \$1,000,000.00 of stock to finance in part the aforesaid expenditures it should not be construed as a finding that all of said expenditures are proper charges to fixed capital accounts. A determination of the issues in this proceeding does not require us to make such a finding.

O R D E R

The California Oregon Power Company having applied to the Railroad Commission for permission to issue \$2,000,000.00 of stock, 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 through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that The California Oregon Power Company be, and it hereby is, authorized to issue \$1,000,000.00 of its six percent preferred stock, series of 1927, in exchange for \$1,000,000.00 of six percent preferred stock and seven percent preferred stock now outstanding, such exchange to be on a basis of one share of said six percent preferred stock, series of 1927, for each share of six percent preferred stock and seven percent preferred stock so surrendered for exchange.

IT IS HEREBY FURTHER ORDERED that The California Oregon Power Company be, and it hereby is, authorized to issue and sell \$1,000,000 of its six percent preferred stock, series of 1927, at not less than \$99.00 a share, and to use not exceeding \$5.00 per share of stock sold to pay commissions and expenses incident to the sale of such stock and to use the remaining proceeds, and such portion of the said \$5.00 not needed for the payment of said commissions and expenses to finance in part the construction costs referred to in Exhibit "D" filed with the application herein, provided that only such costs as are chargeable to fixed capital accounts under the uniform systems of accounts prescribed by this Commission or other governmental authority may be financed through the use of said proceeds.

The authority herein granted is subject to the following conditions:-

- (1) Applicant shall keep such record of the issue of the stock 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.
- (2) The authority herein granted will become effective upon the date hereof. Under such authority no stock may be issued after June 30, 1932.

DATED at San Francisco, California, this 17th day of August, 1931.

C. Seaver
Leon Whitney
W. B. Cairns
James G. Stewart
Commissioners.