

ORIGINAL

Decision No. 8723.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA-OREGON POWER COMPANY, of THE CALIFORNIA OREGON POWER COMPANY, and of W.I. BROBECK, J.W. CHURCHILL, J.A. DONOHUE, J.D. GRANT, C. de GUIGNE, A.S. HOLMES, JOSEPH HYMAN, I. KAEM, J. HENRY MEYER, JOHN D. MCKEE and A.J. ROSBOROUGH, as a BONDEOLDERS COMMITTEE of CALIFORNIA-OREGON POWER COMPANY for authorization to issue stocks and bonds and take proceedings pursuant to a plan and agreement relating to the reorganization of CALIFORNIA-OREGON POWER COMPANY.)

Application Number 6512

Morrison, Dunne and Brobeck, by Herman Phleger, for applicants.

MARTIN, Commissioner.

O P I N I O N

This application involves the transfer and partial re-financing of the properties of California-Oregon Power Company. Applicants ask the Railroad Commission to make an order authorizing the sale and transfer of the properties described in Exhibit "5" filed in this proceeding to The California Oregon Power Company and permitting The California Oregon Power Company to issue \$2,220,000.00 of 7 per cent preferred stock and \$4,440,000.00 of common stock for the purposes hereinafter indicated.

California-Oregon Power Company was organized on or about December 15, 1911. The company owns and operates hydroelectric generating plants, electric transmission and distribution systems in California and Oregon, and also owns and operates water plants at Dunsmuir, California, and Klamath Falls, Oregon. Its electric generating plants

are reported to have a generating capacity of 23,445 K.V.A. The output of the plants for 1920 is reported at 142,404,975 kilo watt hours. The number of electric consumers in California is reported at 2,614, in Oregon at 6,211, making a total of 8,825. At Dunsmuir, the company during 1920 had 577 and at Klamath Falls 1,141 water consumers.

For 1918, 1919 and 1920, California-Oregon Power Company reports operating revenues, expenses, accruals and other disbursements as follows:

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Operating Revenues,.....	\$498,978.82	\$724,418.88	\$943,406.88
Operating Expenses,.....	370,248.80	452,156.20	534,275.74
Net Operating Revenue,.....	128,730.02	272,262.68	409,131.14
Other Income,.....	3,290.23	1,660.42	4,870.19
Gross Corporate Income,.....	132,020.25	273,923.10	414,001.33
Deductions from Gross Corporate Income:			
Uncollectible Bills,.....	4,901.57	6,018.79	7,051.86
Interest accrued on Funded Debt	284,800.00	284,800.00	364,027.61
Other interest accrued,.....	13,674.91	23,942.86	29,993.72
Miscellaneous,.....	--	--	11.52
Total Deductions,.....	303,376.48	314,761.65	401,084.71
Surplus for Year,.....	* 171,356.23	* 40,838.55	12,916.62

(*) Loss.

The sale of electrical energy during part of 1919 and 1920 and the completion of additional generating plants is partially responsible for the increase in the company's operating revenues.

In this Commission's Decision No. 6484, dated July 10, 1919, it appears that the engineering department of the Commission estimated the historical cost of the properties of California-Oregon Power Company located in California at \$4,297,799 as of December 31, 1918. Since that date the company reports that it has expended for plant extensions, additions and betterments, less retirements, the sum of \$157,656.27 and estimates the value of its water plant and properties at Dunsmuir to be in excess of \$113,986.00, making a grand total of

\$4,569,441.27, for California properties.

The Public Utilities Commission of the State of Oregon fixed the value of the operative properties of California-Oregon Power Company, located in Oregon, as of December 31, 1916, at \$2,651,674. The company reports that its net expenditures for additions and betterments to its Oregon properties from December 31, 1916 to November 30, 1920, amount to \$304,047.43, and that its non-operative properties located in Oregon as of November 30, 1920, add a value of \$167,908.14. The total of the figures just mentioned amounts to \$3,123,629.57, which added to the California properties, makes a grand total of \$7,693,070.84.

California-Oregon Power Company has \$8,283,000.00 of common stock outstanding. At the time of its organization, the company issued \$10,000,000.00 of common stock. In order to avoid the payment of assessments, stockholders have surrendered stock in the amount of \$1,717,000.00, leaving as said, \$8,283,000.00 of common stock outstanding. Assessments in the amount of \$538,230.00 have been collected.

California-Oregon Power Company, as of December 31, 1920, reports indebtedness as follows:

California-Oregon Power Company bonds in hands of public,	\$4,442,000.00
Underlying Bonds,	1,151,000.00
Notes Payable,	283,263.96
Accounts Payable,	623,773.28
Interest Accrued,	1,410,252.97
Service bills in advance and advance accounts,	32,206.54
Total,	\$7,942,496.75

California-Oregon Power Company has not paid the interest coupons due July 1, 1915 attached to California-Oregon Power Company bonds, nor has it paid any subsequent coupons attached to said bonds. The non-payment of these interest coupons accounts primarily for the large amount of interest accrued. The interest on the underlying bonds has been regularly paid.

The record shows that the reorganization of the affairs of California-Oregon Power Company is necessary for the reason that the company has been unable -(1), to pay coupon interest on its outstanding bonds beginning with the coupons dated July 1, 1915, -(2), to make the sinking fund payments under the provisions of the deed of trust executed by California-Oregon Power Company due May 1, 1917, -(3), to secure additional capital necessary for replacements, extensions and betterments.

A copy of the reorganization plan under which it is intended to refinance the properties of California-Oregon Power Company has been filed in this proceeding and marked Exhibit "4". The plan effects only the \$4,442,000 of bonds issued by California-Oregon Power Company and the interest coupons attached thereto. All of these bonds except two (\$2,000.00 face value) have been deposited with the reorganization committee. To carry the reorganization plan into effect, there has been organized The California Oregon Power Company with an authorized stock issue of \$15,000,000.00, divided into \$7,500,000.00 of 7 per cent non-assessable preferred stock and \$7,500,000.00 of common stock. It is proposed to issue \$2,220,000.00 of preferred stock and \$4,440,000.00 of the common stock in exchange for the \$4,440,000.00 of California-Oregon Power Company bonds and unpaid interest coupons deposited with the reorganization committee. The \$2,000.00 of bonds not deposited will be paid in cash. If the plan is carried out, there will be outstanding against a property costing or valued at \$7,693,070.84, the following stock, bonds or other indebtedness:

Common Stock,.....	\$4,440,000.00
Preferred Stock,.....	2,220,000.00
Bonds,.....	1,151,000.00
Other Indebtedness,.....	939,243.78
Total Stock, Bonds and Indebtedness,.....	\$8,750,243.78

Against the same properties, there is now outstanding \$16,225,496.75 of stock, bonds and other indebtedness. The amount of outstanding stock, bonds and other indebtedness is through the reorganization

plan reduced to \$7,475,252.97.

In Application No. 6512, The California Oregon Power Company, the new company, asks permission to issue and sell \$1,849,000.00 of bonds at 95 and accrued interest and use \$824,900.00 to pay current indebtedness of California-Oregon Power Company, the payment of which will be assumed by The California Oregon Power Company, the new company. To realize \$824,900.00, the new company will have to sell approximately \$868,000.00 of bonds. If this is done, the bonded debt of the properties upon the reorganization plan being consummated, will be \$2,019,000.00 and the current indebtedness approximately \$114,100.00, making a total of \$2,133,100.00, contrasted with a present total debt of \$7,942,496.75. The reduction in indebtedness on the properties, upon the above assumptions, will amount to \$5,819,396.75. The outstanding stock will be reduced by \$1,683,000.00.

The Commission expects applicant^s to file a detailed statement showing all reorganization expenses.

I herewith submit the following form of Order.

O R D E R

Application having been made for permission to sell and transfer the properties of CALIFORNIA-OREGON POWER COMPANY, described in Exhibit "5" filed in this proceeding, and THE CALIFORNIA OREGON POWER COMPANY having applied for permission to issue \$6,660,000.00 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required by THE CALIFORNIA OREGON POWER COMPANY;

IT IS HEREBY ORDERED, that CALIFORNIA-OREGON POWER COMPANY be, and it is hereby, authorized to sell and transfer, directly or indirectly, to THE CALIFORNIA OREGON POWER COMPANY its properties

described in Exhibit "5" filed in this proceeding, and THE CALIFORNIA OREGON POWER COMPANY is hereby authorized to purchase said properties, said sale and purchase to be made in accordance with the terms and conditions of said Exhibit "5".

IT IS HEREBY FURTHER ORDERED, that THE CALIFORNIA OREGON POWER COMPANY be, and it is hereby, authorized to issue \$2,220,000.00 of 7 per cent preferred stock and \$4,440,000.00 of common stock, said shares of stock to be delivered to the Bondholders Committee of California-Oregon Power Company and by said committee delivered to the depositors of bonds under the Bondholders Deposit Agreement on the basis of \$500.00 par value of preferred and \$1,000.00 par value of common stock for each \$1,000.00 face value of California-Oregon Power Company 5 per cent bonds deposited under the Bondholders Deposit Agreement, together with all unpaid coupons thereof maturing on and after July 1, 1915. Upon the exchange of said bonds for stock and the payment of the bonds not deposited under the Bondholders Deposit Agreement, or satisfactory arrangements having been made for the payment of such bonds, the mortgage or deed of trust of California-Oregon Power Company, dated January 1, 1912, securing the payment of the bonds shall be discharged of record.

IT IS HEREBY FURTHER ORDERED, that the plan of reorganization, applicants' Exhibit "4", be, and it is hereby authorized and approved to the extent indicated in this order, such authorization and approval being limited to the extent that affirmative authorization and approval is herein given.

The authority herein granted is subject to the following conditions:

- 1.--The issue of the stock herein authorized, or any authority herein granted, shall not be interpreted as a finding of value of the properties herein authorized to be transferred for the purpose of fixing rates or for any purpose other than the transfer herein permitted.

- 2.--The California Oregon Power Company shall file with the Commission within a reasonable time a copy of all of the book entries relative to the transfer and acquisition of the properties, the sale and transfer of which is herein permitted.
- 3.--The California Oregon Power Company shall file with the Commission a verified copy of the deed under which it acquires and holds title to said properties, such deed to be filed within thirty days after its execution.
- 4.--The California Oregon Power Company shall file with the Commission a statement showing in detail all reorganization expenses.
- 5.--The California Oregon Power Company shall file with the Commission the names of those parties to whom the stock herein authorized will be delivered, or has been delivered by the bondholders committee, and the number of shares of common or preferred delivered to each such person. The filing of this information will relieve the company from filing the usual reports under the Commission's General Order No. 24, such information being called for in lieu of such reports.
- 6.--The authority herein granted will apply only to such stock as may be issued and delivered on or before October 1, 1921.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of March, 1921.

Frank R. Perkins

W. B. ...

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COMMISSIONERS.