

Decision No. 20405

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; (1) the execution of a new)
First Mortgage and Deed of Trust)
covering all of its presently owned)
and hereafter acquired properties,)
and (2) The issue and sale of)
\$13,500,000. principal amount of)
First Mortgage Bonds.)

Application No. 20405

ORIGINAL

Brobeck, Phleger & Harrison, for applicant.

BY THE COMMISSION:

O P I N I O N

The California Oregon Power Company has applied to the Railroad Commission for permission to execute a new first mortgage and deed of trust and to issue and sell at not less than 95 per cent. of face value plus accrued interest, \$13,500,000. of its first mortgage bonds, 4% series due 1966, for the purpose of financing the cost of paying all of its mortgage bonds now outstanding and \$1,500,000. of debentures and of reimbursing its treasury because of income expended for additions and betterments to its physical properties and for working capital.

The company also asks permission to amortize the unamortized discount and expense on the bonds and debentures to be paid, together with the duplicate interest and discount and expense attendant over the life of the new bonds, that is, over the period from April 1, 1936 to April 1, 1966.

In making the application the company has filed, among other things, a balance sheet, showing its assets and liabilities as of

December 31, 1935, as follows:-

A S S E T S

Plant, property rights and franchises	\$35,132,301.63
Unamortized debt discount and expense	1,152,308.06
Investments	41,630.77
Sinking funds	26.04
Insurance unexpired	14,592.39
Cash	407,768.82
Accounts and notes receivable- Net	671,621.96
Advances to affiliated companies	161,064.89
Materials and supplies	398,689.79
Prepaid accounts	9,966.21
Deferred charges in process of amortization	229,740.06

Total \$38,219,710.62

L I A B I L I T I E S

Preferred capital stock, 7% cumulative	\$ 2,883,000.00
Preferred capital stock, 6% cumulative	1,000,000.00
Preferred capital stock, 6% cumulative, Series of 1927	5,866,300.00
Common capital stock (82061 shares-no par value)....	6,847,100.00
First and refunding mortgage sinking fund gold bonds:	
Series "B" 6%, due 1942.....	4,038,900.00
Series "C" 5½%, due 1955	2,436,900.00
Refunding mortgage gold bonds:	
6½% series, due 1942	4,000,000.00
Five and one-half per cent. gold debentures, due	
October 1, 1942	7,000,000.00
Notes payable	52,629.50
Accounts payable	170,810.76
Accrued for interest	314,994.21
Accrued for taxes	479,055.15
Accrued for dividends	76,726.56
Customer's deposits	44,698.52
Retirement reserves	2,210,796.02
Other reserves	23,209.11
Deferred credits in process of amortization	147,320.98
Surplus	627,269.81

Total..... \$38,219,710.62

All of the outstanding stocks and bonds were issued pursuant to authorizations heretofore given by the Commission. Latest information on file in the Commission's office shows that 81,861 shares of the common stock and 10,000 shares of the preferred stock are held

by Standard Gas and Electric Company.

The application shows that the first and refunding mortgage bonds, Series "B", are redeemable upon any interest date upon sixty days notice, and if redeemed on August 1, 1936, will be redeemable upon payment of the principal amount, accrued interest and a premium of three per cent. The first and refunding mortgage bonds, Series "C", are redeemable upon any interest payment date upon sixty days notice, and if redeemed on August 1, 1936, are redeemable upon payment of the principal amount, accrued interest, and a premium of 1.90 per cent. The refunding mortgage bonds, 6½% series due 1942, are redeemable at any time upon forty-five days notice and if redeemed on or before May 1, 1937, are redeemable upon payment of the principal amount, accrued interest and a premium of two per cent. The debentures are redeemable at any time upon thirty days notice and if redeemed on or before October 1, 1936, are redeemable upon payment of the principal amount, accrued interest and a premium of 1½ per cent.

However, the refunding mortgage bonds, 6½% series due 1942, are convertible at the option of the holders thereof on or before May 1, 1941, or, if sooner called for redemption on or before ten days prior to the date fixed for redemption, into an equal principal amount of refunding mortgage gold bonds, 6% series due 1962, plus a payment by the company to the holders of the sum of \$5. for each \$100. principal amount of such bonds so converted. At this time, it is not known what amount of the 6½% bonds will be converted into 6% bonds. But if all of the 6½% bonds will be presented for conversion into the 6% bonds pursuant to the option privilege, \$200,000. of cash must be provided.

The refunding mortgage gold bonds, 6% series due 1962, if issued, may be redeemed at any time upon sixty days notice, and if

redeemed on or before May 1, 1942, are redeemable upon payment of the principal amount, accrued interest and a premium of five per cent.

The company reports that it proposes to call for payment on or before August 1, 1936, all of its outstanding mortgage bonds, amounting in the aggregate to \$10,475,800.00, (and the refunding mortgage bonds, 6% series due 1962, should any be issued upon conversion) and \$1,500,000. of the outstanding \$7,000,000. of debentures. It estimates the cash requirements to carry out the program, assuming all the refunding mortgage 6½% bonds are converted into 6% bonds, at \$12,905,126., consisting of the following items:-

Bonds to be redeemed, face value	\$10,475,800.
Debentures to be redeemed, face value	1,500,000.
Premium to call	389,969.
Payment on conversion of 6½% bonds ...	200,000.
Duplicate interest	197,607.
Estimated cost of registration.....	<u>141,750.</u>
Total	<u>\$12,905,126.</u>

It appears that the \$200,000., or such part of it as may be necessary, to effect the conversion of the refunding mortgage 6½% bonds into 6% bonds, will be advanced to applicant by Standard Gas and Electric Company, leaving a balance of \$12,705,126. to be provided by applicant. To obtain these funds applicant, as stated, proposes to issue and sell \$13,500,000. of its new first mortgage bonds, 4% series, due 1966, at not less than 95 per cent. of face value plus accrued interest, a price yielding \$12,825,000. The excess of the proceeds received will be used by applicant to provide working capital and to reimburse its treasury because of surplus earnings heretofore used for additions and betterments and not capitalized. It is estimated that the proposed refinancing program will result in annual savings in fixed charges in excess of \$200,000.

There is reported, as of December 31, 1935, an unamortized balance of discount and expense in connection with the bonds and debentures to be redeemed, of \$1,152,308.06. It is the company's intention to amortize such balance, together with the premiums to be paid on redemption and conversion of bonds and the duplicate interest costs to be incurred over the life of the new bonds. The Commission does not believe that the duplicate interest costs to be incurred should be charged as deferred debits and amortized over a period of years. Such interest, as it is accrued, should be charged to income and when ^{paid,} written off. As to the balance of the unamortized discount and expense, and the premiums to be paid upon conversion and redemption of the bonds and debentures, as now proposed, the Commission will authorize these amounts to be written off over the life of the new bonds, provided that such action be considered purely as a matter of accounting convenience by applicant.

The new bonds will be dated as of April 1, 1936, will mature on April 1, 1966 and will be callable in whole or in part on any date upon not less than thirty days notice upon payment of the principal amount, accrued interest to date of redemption and a premium as follows:-

7 $\frac{1}{2}$ %	prior to April 1, 1941.
7%	on or after April 1, 1941 and prior to April 1, 1942
6 $\frac{3}{4}$ %	on or after April 1, 1942 and prior to April 1, 1943
6%	on or after April 1, 1943 and prior to April 1, 1944
5 $\frac{3}{4}$ %	on or after April 1, 1944 and prior to April 1, 1945
5%	on or after April 1, 1945 and prior to April 1, 1946
4 $\frac{3}{4}$ %	on or after April 1, 1946 and prior to April 1, 1947
4 $\frac{1}{2}$ %	on or after April 1, 1947 and prior to April 1, 1948
4%	on or after April 1, 1948 and prior to April 1, 1949
3-3/4%	on or after April 1, 1949 and prior to April 1, 1950
3 $\frac{1}{4}$ %	on or after April 1, 1950 and prior to April 1, 1951
3 $\frac{1}{8}$ %	on or after April 1, 1951 and prior to April 1, 1952
3%	on or after April 1, 1952 and prior to April 1, 1953
2-3/4%	on or after April 1, 1953 and prior to April 1, 1954
2 $\frac{1}{2}$ %	on or after April 1, 1954 and prior to April 1, 1955
2 $\frac{1}{4}$ %	on or after April 1, 1955 and prior to April 1, 1956
2%	on or after April 1, 1956 and prior to April 1, 1957
1-3/4%	on or after April 1, 1957 and prior to April 1, 1958
1 $\frac{1}{2}$ %	on or after April 1, 1958 and prior to April 1, 1959
1 $\frac{1}{4}$ %	on or after April 1, 1959 and prior to April 1, 1960
1%	on or after April 1, 1960 and prior to April 1, 1961

There shall be no premium if redemption is effected on or after April 1, 1961.

The payment of the bonds will be secured by a first mortgage and deed of trust dated as of April 1, 1936. A copy of the proposed instrument has been filed with the application and appears to be in satisfactory form.

O R D E R

The California Oregon Power Company having applied to the Railroad Commission for permission to execute a mortgage and deed of trust and to issue and sell \$13,500,000. of bonds and for other authority, as indicated in the foregoing opinion, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. The California Oregon Power Company may execute a first mortgage and deed of trust substantially in the same form as that filed with the application herein on March 11, 1936, provided that this authority is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage and deed of trust as to such other legal requirements to which it may be subject.

2. The California Oregon Power Company may issue and sell, after the effective date hereof and on or before July 31, 1936, at not less than 95 percent. of face value plus accrued interest, not exceeding \$13,500,000. of its first mortgage bonds, 4% series due 1966, and may use the proceeds other than accrued interest which may be used for general corporate purposes, to redeem in lawful money of the United States, its first and refunding mortgage bonds, Series B 6% due 1942, and Series C 5½% due 1955, and its refunding mortgage bonds, 6½% Series

due 1942 and/or refunding mortgage bonds 6% series due 1962, and \$1,500,000. of its 5½% debentures due 1942, and to reimburse its treasury because of earnings used for additions and betterments to its plants and properties, the cost of which is chargeable to fixed capital accounts under the system of accounts prescribed by the Commission, and for working capital, provided that pending the preparation and delivery of definitive bonds, applicant may execute, authenticate and deliver temporary bonds in lieu of such definitive bonds, such temporary bonds to be issued and sold under the same terms and conditions as the bonds herein authorized and later to be exchanged for such bonds.

3. The California Oregon Power Company within thirty(30) days after the issue and sale of the bonds herein authorized shall file with the Commission the following:-

- a. Two certified copies of the mortgage and deed of trust as actually executed.
- b. A report of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as required by the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

4. The California Oregon Power Company shall file with the Commission on or before December 31, 1936 a statement showing in detail the expenses incurred by it because of the execution of the mortgage and deed of trust and the issue and sale of the said \$13,500,000. of bonds herein authorized.

5. Decision No. 11353, dated December 13, 1922 is hereby modified so as to permit The California Oregon Power Company to amortize on or before April 1, 1966, the unamortized discount and expense applicable to the bonds and debentures which it intends to redeem ^{before} on or August 1, 1936, referred to herein, and the premiums which it must pay upon their redemption or conversion, provided that the Commission

reserves the right to determine hereafter whether the charges necessary to amortize said amounts should be included in determining the cost of money to The California Oregon Power Company.

6. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Thousand Two Hundred and Sixty-two and Fifty One Hundredths (\$1,262.50) Dollars, and applicant has filed with the Commission a copy of the registration statement filed with the Securities and Exchange Commission.

DATED at San Francisco, California, this 16¹⁴⁵ day of March, 1936.

M. B. Harris
Leon Whiskey
M. A. Cui
W. H. ...

Commissioners.

Fee # 1262 ⁵⁰/₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
MAR 16 1936
SECRETARY
Fee # 3247

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