

Decision No. 23301

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
THE CALIFORNIA OREGON POWER COMPANY  
for authority to enter into an agree-  
ment with Mountain States Power Com-  
pany.

Application No. 23301

ORIGINAL

Brobeck, Phleger and Harrison, for applicant.

BY THE COMMISSION:

O P I N I O N

The California Oregon Power Company asks permission to enter into an agreement with the Mountain States Power Company, under the terms of which it will subordinate its interest in the lease, to which reference will hereafter be made, to the lien of a new indenture to be executed by Mountain States Power Company for the purpose of securing the payment of bonds. A copy of the agreement is filed in this proceeding as Exhibit A.

Under a lease dated November 1, 1929 applicant operates a steam generating plant of 15,000 K.W. capacity owned by Mountain States Power Company and situate in the City of North Bend, Coos County, Oregon. The plant is known as the Coos Bay Steam Plant. The lease extends for a period of 25 years from November 1, 1929. It is represented that the operation of said plant is necessary and for the best interest of applicant in providing a standby source of electric energy in the State of Oregon to supplement its hydroelectric supply. The lease, when made and entered into, was and is subject to the lien of an indenture dated January 1, 1918, between Mountain States Power Company and Illinois Trust & Savings Bank ( to which Continental Illinois National Bank and Trust Company of Chicago, is successor in trust) trustee, and William H. Henkle ( to whom Frank F. Taylor is successor in trust) co-trustee,

securing an authorized issue of \$15,000,000 principal amount of first mortgage gold bonds of Mountain States Power Company . Of these bonds, \$8,182,250 are now outstanding and past due.

In order to protect its property from foreclosure under said indenture and for other reasons, Mountain States Power Company on December 31, 1937, filed in the District Court of the United States for the District of Delaware its petition for relief under the provisions of Section 77-B of the Bankruptcy Act of the United States, as amended, which application was approved by said Court as properly filed, and thereafter on January 26, 1939, said Court duly gave and made its order continuing Mountain<sup>States</sup>/Power Company in the possession of its properties. This order is still in force and effect. Under a proposed plan of reorganization said Mountain States Power Company, in order to procure part of the funds with which to pay the said outstanding bonds, proposes to issue and sell \$7,500,000 of first mortgage bonds, 4-1/4% series, due January 1, 1965, and to secure the payment thereof by the execution and delivery of an indenture, dated January 1, 1940, to Harris Trust & Savings Bank, and Harold Eckhart as trustees.

In order to carry out the reorganization plan it is necessary for applicant to subordinate its interest in said Coos Bay Steam Electric Plant to the lien of the new indenture. It is alleged that such subordination will effect merely a subordination of existing prior liens and will not deprive applicant of the use of said steam generating plant. Except as to the subordination mentioned herein, said lease of November 1, 1929, will remain in full force and effect.

#### ORDER

The Commission having considered the request of The California Oregon Power Company, and it being of the opinion that this is not a matter in which a public hearing is necessary and that this application

should be granted, therefore,

IT IS HEREBY ORDERED that The California Oregon Power Company may execute, on or before June 30, 1940, an agreement substantially in the same form as the agreement filed in this proceeding as Exhibit A.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the execution of such agreement, The California Oregon Power Company shall file with the Railroad Commission a true and correct copy of said agreement.

DATED at San Francisco, California, this 27<sup>th</sup> day of February, 1940.

Ray & Riley  
Frank Decker  
Ray W. ...  
H. ...  
Justin J. ...  
COMMISSIONERS.