

ORIGINAL

Decision No. 40173

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
THE CALIFORNIA OREGON POWER COMPANY)	
For an order of the Public Utilities)	
Commission of the State of California)	Application
authorizing:)	No. 28303
)	
(1) The issue and sale of 60,000)	
shares of Preferred Stock, and)	
)	
(2) The issue and sale of 30,000)	
shares of Common Stock.)	
-----)	

O P I N I O N

The California Oregon Power Company, applicant herein, reports that it desires to reclassify its outstanding shares of common stock which are without par value, into shares of \$20 par value, and to issue and sell, at competitive bidding, 60,000 shares of preferred stock of the par value of \$100 each, and 30,000 shares of common stock for the purpose of paying the cost of redeeming its presently outstanding 45,761 shares of six percent preferred stock, series of 1927, and of reimbursing its treasury.

The company's authorized and outstanding capital stock is reported as follows:

	<u>Par Value</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>
Seven percent preferred stock	\$100	29,000	24,373
Six percent preferred stock	100	10,000	7,793
Six percent preferred stock, series of 1927	100	111,000	45,761
Common stock	None	<u>400,000</u>	<u>312,000</u>
Total		<u>550,000</u>	<u>389,927</u>

The seven percent preferred stock and the six percent preferred stock are non-callable while the six percent preferred stock, series of 1927, is callable on sixty days' published notice at \$110 a share plus accrued dividends. The preferred stocks are carried on the balance sheet at their par value and the common stock is carried at a stated value of \$25 a share, or a total figure of \$7,800,000. All of the outstanding common stock is reported held by Standard Gas and Electric Company.

The company now proposes to amend its Articles of Incorporation to provide for an authorized capital stock as follows:

	Shares Authorized	Par Value	
		Share	Total
Seven percent preferred stock	24,373	\$100	\$ 2,437,300
Six percent preferred stock	7,793	100	779,300
Six percent preferred stock, series of 1927	45,761	100	4,576,100
<u> % cumulative preferred stock</u>	60,000	100	6,000,000
Unallotted shares	<u>57,834</u>	100	<u>5,783,400</u>
Total preferred stock	195,761	-	19,576,100
Common stock	750,000	20	15,000,000
Total	<u>945,761</u>	-	<u>\$34,576,100</u>

The application shows that the company now proposes to redeem the outstanding six percent preferred stock, series of 1927, and to provide the funds necessary for such redemption, amounting to \$5,033,710, and to reimburse its treasury for additions and betterments made to its properties, through the issue and sale of 60,000 shares of its new % cumulative preferred stock and 30,000 shares of its common stock. It intends to offer such shares of stock for sale at competitive bidding by means of invitations for bids which will require that those bids in respect to the preferred stock shall specify the annual dividend rate and the price to be paid, which price shall not be more than \$102.75 a share nor less than \$100 a share. The redemption

price will be fixed by the company at an amount equal to the price per share (exclusive of accrued dividends) at which it will be initially offered for sale to the public by the successful bidder therefor, or, if no public offering is to be made, at the price received by the company plus \$3.00 per share if redeemed on or before April 1, 1952, \$2.00 per share if redeemed thereafter and on or before April 1, 1957, and \$1.00 per share if redeemed after April 1, 1957, plus in each case accrued dividends to the date of redemption.

The company is a subsidiary of Standard Gas and Electric Company, a holding company which, under the provisions of the Public Utility Holding Company Act of 1935, is required to dispose of the ownership of the 312,000 shares of common stock of the company. The 312,000 shares are on the books of the company carried at a stated value of \$25 per share, or at an aggregate stated value of \$7,800,000. The company proposes to reclassify its common stock from shares of no par value, to shares having a par value of \$20 each. It would issue 390,000 shares in place of the 312,000 shares now outstanding. The aggregate par value of the 390,000 shares will be \$7,800,000, which is the same as the stated value of the 312,000 shares without par value.

The company, because of its being a subsidiary of a holding company, must obtain permission from the Securities and Exchange Commission to issue the 60,000 shares of new cumulative preferred stock and the 30,000 shares of additional common stock. Standard Gas and Electric Company must obtain authority from that Commission to dispose of the 312,000 shares or the new shares of common stock issued in exchange. The company is hopeful that it

can obtain from the Securities and Exchange Commission permission to publish its invitation for bids six days, in lieu of ten, prior to the opening of bids. It asks similar permission from the Public Utilities Commission of the State of California.

The proposed amendment to the Articles of Incorporation provides, among other things, that each holder of preferred stock shall be entitled to one vote for each twenty dollars par value of preferred stock held by such holder and that each holder of common stock shall be entitled to one vote for each share of common stock held by such holder and that on any question as to which it is at the time provided by law that action may be taken on approval by vote, or written consent, of a specified percentage of the outstanding shares, the vote, or written consent of shareholders holding such specified percentage of the voting power shall also be required. It is further provided that so long as any shares of ___% cumulative preferred stock are outstanding, if and when dividends, payable on any series of preferred stock shall be in default in an amount equivalent to four full quarter-yearly dividends on all shares of that series of preferred stock then outstanding, and until all dividends then in default on that series shall have been paid, the record holders of the shares of all series of preferred stock, voting separately as one class, shall be entitled, at each meeting of the stockholders at which directors are elected, to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the record holders of the shares of common stock, voting separately as a class, shall be entitled at any such meeting to elect the remaining directors.

The issue and sale of the shares of preferred and common stock as now proposed should yield proceeds substantially in excess of the amount (\$5,033,710 plus accrued dividends) necessary to redeem the outstanding six percent preferred stock, series of 1927. It is reported that such excess proceeds are desired to replenish the treasury which has been depleted because of expenditures for additions and betterments made to the properties. A reference to the company's financial statements in this connection shows its balance sheet as of December 31, 1946, as follows:

Assets

Utility plant		\$38,470,443
Other investments		692,155
Current assets -		
Cash on hand and demand deposits	\$ 184,758	
Special deposits	400	
Working funds	8,460	
Accounts receivable-customers	287,057	
Accounts receivable-other	18,221	
Materials and supplies	404,682	
Indebtedness of affiliated companies	102,737	
Prepayments	40,616	
Total current assets		1,046,931
Unamortized debt premium and expense		481,200
Other deferred charges		115,407
Discount and expense on stock		415,121
Total assets		<u>\$41,221,257</u>

Liabilities

Capital stock		
Seven percent preferred	\$2,437,300	
Six percent preferred	779,300	
Six percent preferred series of 1927	4,576,100	
Common	7,800,000	
Total stock		\$15,592,700
Bonds-1st mortgage 3-1/8%, due 1974		13,500,000
Serial notes, 2-7/8%, due 1948 to 1952		1,750,000
Current liabilities -		
Short term notes	850,000	
Accounts payable	287,376	
Customers' deposits	42,466	
Accruals	909,276	
Dividends declared	239,984	
Due affiliated companies	392	
Res. for employees' past-service annuities	150,000	
Total current liabilities		2,479,494
Deferred credits		173,121
Reserve for depreciation		6,276,211
Other reserves		192,319
Contributions in aid of construction		116,185
Earned surplus		1,141,017
Total liabilities		<u>\$41,221,257</u>

A review of the company's financial statements on file with the Commission shows that during the years 1943 to 1946, inclusive, its net investment in utility plant accounts increased \$3,661,348, and that it had on December 31, 1946, construction work in progress of \$215,469. This investment was financed in part by short term loans and in part by the investment of moneys represented by its reserve for depreciation, by surplus earnings, and by other funds in the company's treasury not secured through the issue of stock or long term debt. Our review indicates that the company is, aside from the refunding of said preferred stock, in need of additional permanent financing for the purpose of reimbursing its treasury, paying indebtedness and placing itself in a position to carry forward its construction program. Some of the funds obtained through the issue of the 60,000 shares of preferred stock and 30,000 shares of common stock will be used for those purposes.

In its amended application, the company reports that the proposed capital contribution of 30,000 shares of common stock has been found impracticable and therefore it withdraws paragraph "7" of the original petition. It further requests that the Commission reserve for further consideration any requests to deviate from the prescribed accounting systems in connection with the issue of the stocks.

Q R D E R

The Public Utilities Commission of the State of California having considered the above entitled matter and being of the opinion that a public hearing is not necessary on such

application, that the money, property or labor to be procured or paid for through the issue of the stocks herein authorized is reasonably required by The California Oregon Power Company for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company, after the effective date hereof and on or before September 30, 1947, may issue not exceeding 390,000 shares of its common stock of the par value of \$20 each, and of the aggregate par value of \$7,800,000, in exchange for the 312,000 shares of common stock having a stated value of \$7,800,000 now outstanding.
2. The California Oregon Power Company, after the effective date hereof and on or before September 30, 1947, may issue and sell at a price to be fixed by a supplemental order, or orders, 60,000 shares of its % cumulative preferred stock of the par value of \$100 each and 30,000 shares of its common stock of the par value of \$20 each and use the proceeds to provide the cost of redeeming its outstanding 45,761 shares of six percent preferred stock, series of 1927, to reimburse its treasury for moneys expended from income for additions and betterments to its utility properties, to pay indebtedness, and to finance additions and betterments to its properties.
3. The California Oregon Power Company shall publish its invitation for proposals for the purchase of said shares of

stock not less than six (6) days prior to the date fixed for the opening of bids responsive to such invitation.

4. The authority herein granted to issue and sell 60,000 shares of ___% cumulative preferred stock and 30,000 shares of common stock will become effective when the Public Utilities Commission of the State of California has entered a supplemental order, or orders, fixing the price at which The California Oregon Power Company may sell the 60,000 shares of ___% cumulative preferred stock and the 30,000 shares of common stock herein authorized to be issued. The authority granted by paragraphs one (1) and three (3) of this order is effective upon the date hereof.

5. The California Oregon Power Company shall file with the Commission reports of the issue of the stock herein authorized and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order. It shall also file, as soon as available, a statement showing the expenses incurred by it because of the issue and sale of the stock herein authorized and one (1) copy of its registration statement filed with the Securities and Exchange Commission, such statement to include the exhibits referred to therein, except such exhibits as have been previously filed with the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 15th
day of April, 1947.

Harold A. Hula
Justus F. Coe
Geo. H. Powell
A. J. Morrison
Samuel H. Patton
Commissioners