

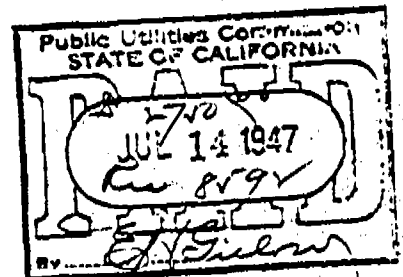
**ORIGINAL**

Decision No. 40493

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 authorizing the execution )  
of a Credit Agreement and the issuance )  
of notes pursuant thereto. )  
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Application  
No. 28562



O P I N I O N

In this application The California Oregon Power Company requests an order of the Public Utilities Commission authorizing it to execute a credit agreement and to issue at this time, pursuant to the terms thereof, its promissory notes in the aggregate amount of not exceeding \$4,500,000. It also asks the Commission to waive the requirements for competitive bidding with respect to said notes.

The California Oregon Power Company is a public utility engaged in the electric and water business in the states of California and Oregon. It has reported its revenues from the sale of electricity at \$5,716,199 in 1944, at \$5,748,325 in 1945 and at \$6,523,091 in 1946, and from the sale of water at \$356,670 in 1944, at \$403,493 in 1945 and at \$424,037 in 1946. The number of electric consumers increased from 40,766 in 1944 to 51,289 in 1946 and its water consumers from 10,329 in 1944 to 11,372 in 1946. The financial condition of the company is reflected by its balance sheet as of December 31, 1946, as follows:

<u>Assets</u>		
Utility plant		\$38,470,443.06
Other investments		692,155.59
Current and accrued assets -		
Cash and deposits	\$ 193,618.22	
Accounts receivable	443,892.24	
Materials and supplies	404,681.78	
Prepayments	<u>40,615.65</u>	1,082,807.39
Unamortized debt discount and expense		586,395.79
Other deferred debits		103,751.04
Discount and expense on capital stock		<u>415,120.64</u>
Total		<u>\$41,350,674.01</u>

<u>Liabilities</u>		
Common capital stock		\$ 7,800,000.00
Preferred capital stock		7,792,700.00
Bonds		13,500,000.00
Serial notes		2,100,000.00
Current and accrued liabilities -		
Notes payable	\$ 500,000.00	
Accounts payable	287,768.24	
Dividends declared	239,983.75	
Customers' deposits	42,466.16	
Accrued liabilities	<u>1,059,276.31</u>	2,129,494.46
Deferred credits		266,670.89
Reserves for depreciation		5,878,628.23
Other reserves		625,978.65
Contributions in aid of construction		116,184.58
Earned surplus		<u>1,141,017.20</u>
Total		<u>\$41,350,674.01</u>

The present application and the company's financial statements show that during the five months ending May 31, 1947, it expended for additions to its utility plants the sum of \$1,045,583, which sum was financed temporarily through the issue of notes and the investment of moneys represented by the reserves for depreciation, by surplus earnings and other funds in its treasury not obtained through the issue of stock or bonds. At the close of May, 1947, it had outstanding \$1,925,000 of 2-7/8% serial notes and short term bank loans of \$1,000,000. Its current and accrued liabilities (including the short term bank

loans of \$1,000,000) aggregated \$2,917,348 as compared with current and accrued assets of \$1,185,398.

The company now reports that it needs additional funds from outside sources to replenish its working capital, to retire its outstanding loans and to meet in part its capital requirements during the remainder of the year. In Exhibit "B" attached to the application it reports its cash requirements for construction (exclusive of its proposed Toketee Falls hydro-electric project) and for debt retirement for the year 1947, as follows:

Construction requirements-	
Expended Jan. 1, 1947, to May 31, 1947	\$1,045,583
Estimated expenditures June 1, 1947, to December 31, 1947	<u>1,591,817</u>
Total construction requirements	2,637,400
Debt retirement -	
Notes retired Jan. 1, 1947, to May 31, 1947	175,000
Serial notes to be retired	1,925,000
Short term notes to be retired	<u>1,000,000</u>
Total cash requirements	5,737,400
Less: Proceeds from sale of 18,000 shares of common stock authorized by Decision No. 40173, as amended	<u>366,300</u>
Remaining cash requirements	<u>\$5,371,100</u>

Earlier in the year the company had contemplated the issue of preferred stock to meet in part its construction program. Public invitations for bids for the purchase of such stock were issued but no bids were received. Thereafter, further inquiry by the company led it to conclude that it is not practical to sell its preferred stock at this time and that instead it should enter into an agreement providing for credit up to a total of \$9,000,000 with the following banks:

<u>Name</u>	<u>Commitment</u>
The Chase National Bank of the City of New York	\$5,000,000
American Trust Company	2,000,000
Harris Trust and Savings Bank	1,500,000
The Commercial National Bank and Trust Company of New York	<u>500,000</u>
Total	<u>\$9,000,000</u>

Of the total credit thus established, the company agrees to borrow not less than \$3,500,000 prior to August 1, 1947, and not less than an aggregate of \$4,500,000 prior to January 1, 1948, and not less than an aggregate of \$6,500,000 prior to January 1, 1949. The credit agreement shall terminate at the close of business on December 31, 1949, unless earlier terminated, but the company has the right at any time, after it shall have borrowed \$6,500,000 of the total amount, to surrender all or part of the then unused balance. The agreement provides that the company shall pay to the banks on October 1, 1947, and quarterly thereafter, a fee computed on the average daily unused balance at the rate of  $1/4$  of  $1\%$  per annum for the period expiring June 30, 1948, at the rate of  $3/8$  of  $1\%$  per annum for the period expiring June 30, 1949, and at the rate of  $1/2$  of  $1\%$  for the period expiring December 31, 1949.

As applicant borrows money it will issue its promissory notes to said banks. Such notes will be expressed to mature on December 31, 1950, and will bear interest at the rate of  $2-3/4\%$  per annum or  $1\%$  above the discount rate of the Federal Reserve Bank of New York for the discount of eligible commercial paper, whichever is greater, provided, however, that the notes will not bear interest at a rate greater than  $3-1/4\%$  per annum. The company has the privilege to extend the maturity date of the notes

to December 31, 1952, upon pledging as security an equal amount of its first mortgage bonds, except that \$1,500,000 of such notes may be extended without such security.

The company now proposes to borrow \$4,500,000 and to issue notes in that amount. It does not at this time seek authority to deposit bonds as collateral. A review of this matter clearly indicates that the company has need for the additional funds to improve and maintain its cash position and to meet its capital requirements. The Commission finds that the execution of the loan agreement and the issue of the notes thereunder should be exempt from the provisions of Decision No. 38614, dated January 15, 1946, relating to competitive bidding.

O R D E R

The California Oregon Power Company having applied to the Public Utilities Commission for an order authorizing it to execute a credit agreement and to issue \$4,500,000 of notes, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for through the issue of said notes is reasonably required by applicant for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company may execute a credit agreement in, or substantially in, the same form as the credit agreement filed in this application as Exhibit "C", and may issue, on or before December 31, 1947, not exceeding \$4,500,000 of notes pursuant to the terms of said agreement for the purpose of paying outstanding serial notes and short term notes, of providing working capital, of reimbursing its treasury and of financing, in part, its construction expenditures during 1947.

2. The California Oregon Power Company shall file with the Commission a report, or reports, of the issue of said notes and 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, and shall also file with the Commission, within sixty (60) days after execution, two (2) copies of said credit agreement as actually executed.

3. The authority herein granted will become effective when The California Oregon Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 8<sup>th</sup> day  
of July, 1947.

Harold P. Kula  
Justin F. Craven  
Wesley Powell  
A. J. Anderson  
Kenneth Patten  
Commissioners