

ORIGINAL

Decision No. 41311

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 issue and
sale of certain securities and the exe-
cution of a Supplemental Indenture.

} Application No. 29140

OPINION

This is an application for an order of the Public Utilities Commission authorizing The California Oregon Power Company to execute a supplemental indenture and to issue and sell \$4,500,000 of its first mortgage bonds and 100,000 shares (\$2,000,000 par value) of its common stock at prices to be determined by competitive bidding, for the purpose of refunding outstanding indebtedness and of financing the cost of additions and betterments.

The application shows that The California Oregon Power Company is engaged in the distribution of electricity in Siskiyou, Modoc, Del Norte, Trinity and Shasta Counties in California, and in Klamath, Jackson, Josephine, Lake and Douglas Counties in Oregon, and in selling water in and about Dunsmuir and Ft. Jones, California and Klamath Falls, Oakland and Roseburg, Oregon. The company reports its operating revenues at \$6,178,266 in 1945, at \$6,971,226 in 1946 and at \$7,655,052 in 1947, and its net income, after making provision for operating expenses, taxes, depreciation, interest and other income charges and credits, at \$1,059,793 in 1945, at \$1,236,623 in 1946 and at \$1,552,025 in 1947. Approximately twenty percent of its operating revenue is derived from operation in California.

The company reports its assets and liabilities as of December 31, 1947, as follows:

ASSETS

Utility plant account		\$41,838,184.84
Investment and fund account		690,211.52
Current and accrued assets -		
Cash and deposits	\$1,021,511.59	
Accounts receivable	477,490.63	
Materials and supplies	522,062.09	
Prepayments	149,633.29	
Total current and accrued assets		2,170,717.60
Discount and expense on capital stock		349,704.37
Other deferred debits		756,232.81
	Total	<u>\$45,855,381.14</u>

LIABILITIES

Common stock		\$ 9,000,000.00
Preferred stock		7,416,600.00
Premium on common stock		43,300.00
First mortgage bonds		13,500,000.00
Notes payable to banks		5,400,000.00
Current and accrued liabilities -		
Accounts payable	\$ 448,707.70	
Customers' deposits	43,728.31	
Accrued liabilities	1,493,948.25	
Total current and accrued liabilities		1,986,384.26
Deferred credit		243,433.49
Reserve for depreciation		6,828,351.24
Other reserves		192,929.59
Contribution in aid of construction		122,328.21
Surplus		1,015,554.22
	Total	<u>\$45,855,381.14</u>

The outstanding capital stock of the company consists of the following:-

Preferred stock, par value \$100 a share -		
7% cumulative, non-callable, 24,373 shares		\$2,437,300.00
6% cumulative, non-callable, 7,793 shares		779,300.00
4.7% series, cumulative, callable, 42,000 shares		4,200,000.00
Total preferred stock		7,416,600.00
Common stock, par value \$20 a share		
450,000 shares		9,000,000.00

In June 1947, the 312,000 then outstanding shares of the company's common stock, without par value, were reclassified into 390,000 shares of common stock, par value \$20 per share. In June 1947, the company issued and sold 18,000 additional shares of common stock and in December, 1947, it issued and sold 42,000

additional shares thereof. Dividends on the common stock, stated on the basis of their equivalent on the reclassified shares, were at the rate of \$1.20 per share per annum from July 1, 1942, to December 31, 1946, and at the rate of \$1.60 per share per annum thereafter, including a dividend of 40 cents per share paid January 20, 1948, to stockholders of record on December 31, 1947.

The outstanding bonds, \$13,500,000, consist of first mortgage 3-1/8% bonds, due November 1, 1974, which were issued in 1944. The \$5,400,000 of notes payable to banks are due December 31, 1950. They were issued under the terms of a credit agreement providing for a total credit of \$9,000,000, the issue and execution of which were authorized and approved by the Commission by Decision No. 40493, dated July 8, 1947, and Decision No. 41071, dated December 22, 1947.

The company now desires to issue the additional \$4,500,000 of bonds and the 100,000 shares of common stock in order to obtain funds to pay and refund \$4,500,000 of the notes payable to banks and to meet in part its capital requirements. In this connection it reports, in Exhibit "B" filed with the application, its estimated capital requirements up to December 31, 1948, as follows:

Electric Department:	
Replacements at existing plants	\$ 112,475.00
Transmission lines and substations	481,295.00
Distribution substations	207,899.00
Distribution plant other than substations (principally new business)	1,964,306.00
General plant	221,945.00
Toketee Falls hydro-electric project	* 2,564,307.13
Sub-total, electric	5,552,227.13
Water Department:	
Total expenditures for plant	5,724,553.13
Retirements and other credits	348,574.69
Net additions to plant	5,375,978.44
Retirement of notes	4,500,000.00
Total requirements	<u>\$9,875,978.44</u>

*Includes \$446,130.13 expended prior to December 31, 1947.

The Toketee Falls project includes a new hydro-electric generating plant with an ultimate capacity of 40,500 kilowatts (two initial units of 13,500 kilowatts each to be installed in 1949 and the third unit of 13,500 kilowatts to be installed in 1950) now in process of construction on land in the Umpqua National Forest on the North Umpqua River in Douglas County, Oregon. A new 125,000 volt transmission line, about 47 miles in length, will connect the Toketee Falls plant with the company's transmission system near Roseburg, Oregon. The aggregate cost of the complete plant and the line is estimated at approximately \$5,000,000.

The present application shows that the company plans to meet its 1948 capital requirements, in part, through the issue of the bonds and stock now applied for, and through the issue of additional notes under the credit agreement with banks to which reference has been made, although it does not, at this time, ask permission to issue such notes.

As stated, the company proposes to offer its \$4,500,000 of bonds and its 100,000 shares of common stock for sale at competitive bidding. The bonds will constitute a new series which will be designated as First Mortgage Bonds, Series due April 1, 1978, will be dated April 1, 1948, will mature April 1, 1978, and will bear interest at such rate as may be fixed as a result of the competitive bidding.

It clearly appears that the company has need for additional funds and the order herein, accordingly, will authorize the issue of the bonds and stock in the amounts requested. Such authority, however, will not become effective until the Commission by supplemental order, or orders, has fixed the prices at which said securities may be sold. The order will authorize the company to execute a supplemental indenture, to be dated as of April 1, 1948, which will define the terms of the new series of bonds.

ORDER

The Public Utilities Commission of the State of California having considered the above entitled application and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of \$4,500,000 of bonds and 100,000 shares of common stock is reasonably required by The California Oregon Power Company for the purposes specified herein, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company, after the effective date hereof and on or before June 30, 1948, may issue and sell at prices to be fixed by a supplemental order, or orders, \$4,500,000 principal amount of First Mortgage Bonds, Series due April 1, 1978, and 100,000 shares of its common stock. Pending the preparation of definitive bonds, the company may issue temporary bonds in the aggregate face amount of \$4,500,000 under the same terms and conditions as those under which it is authorized to issue definitive bonds.

2. The California Oregon Power Company shall invite the submission of written sealed bids for the purchase of said bonds and stock, such invitations for bids to be published at least five days prior to the date set for opening the bids.

3. The California Oregon Power Company shall use the proceeds to be received through the issue and sale of said \$4,500,000 of bonds, other than accrued interest, to pay \$4,500,000 of notes payable to banks now outstanding which were issued under authority granted by Decision No. 40493. The ac-

crued interest may be used for general corporate purposes. The company shall use the proceeds to be received through the issue of said 100,000 shares of common stock to finance in part its capital requirements referred to in the preceding opinion and in Exhibit "B" filed in this proceeding.

4. The California Oregon Power Company may execute a supplemental indenture in substantially the same form as that filed in this proceeding.

5. The authority herein granted to issue bonds and stock will become effective when the Commission, by supplemental order or orders, has fixed the prices at which they may be sold. In all other respects the authority is effective upon the date hereof.

6. The California Oregon Power Company shall file with the Commission a report, or reports, of the issue of said bonds and stock and of the disposition of the proceeds, the first report to be filed on or before July 31, 1948, and subsequent reports, if any, to be filed monthly thereafter until all the proceeds have been expended. It shall also file, on or before September 30, 1948, a report showing in some detail the expenses incurred in connection with the issue and sale of said bonds and stock.

7. Within thirty (30) days after the issue and sale of said bonds and stock, The California Oregon Power Company shall file with the Public Utilities Commission a complete copy of the registration statement filed with the Securities and Exchange Commission, except the exhibits referred to therein which heretofore have been filed with the Public Utilities Commission.

Dated at San Francisco, California, this 16th day
of March, 1948.

R. J. Dunderman
Justice J. Calver
August Lowell
Harold K. Keli
Kenneth P. Otis
Commissioners