

ORIGINAL

Decision No. 42408

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) Application
 of a Credit Agreement and the issuance) No. 29750
 of notes pursuant thereto.)
 -----)

O P I N I O N

In this application, The California Oregon Power Company, hereinafter sometimes referred to as Applicant, asks the Commission to enter an order authorizing it to execute a credit agreement substantially in the form of the agreement filed in this application as Exhibit "C", and authorizing Applicant to issue, on or before December 31, 1949, for the purposes hereafter stated, notes pursuant thereto in the aggregate amount of not exceeding \$10,000,000.

Applicant is a corporation organized and existing under the laws of California. It is engaged in the electric and water business in the States of California and Oregon. For the 12 months ended November 30, 1947, and the 12 months ended November 30, 1948, Applicant reports revenues and expenses as follows:

<u>Items</u>	<u>Nov. 30, 1947</u>	<u>Nov. 30, 1948</u>
Operating revenues	\$7,584,214.22	\$8,771,872.40
Operating expenses	5,529,966.70	6,295,973.51
Net utility revenue	\$2,054,247.52	\$2,475,898.89
Other income	5,576.78	8,528.79
Gross income	2,059,824.30	2,484,427.68
Interest and other fixed charges	578,673.99	565,854.35
Net income available for dividends and surplus	<u>\$1,481,150.31</u>	<u>\$1,918,573.33</u>

Applicant as of November 30, 1948, reports its assets and liabilities as follows:

Assets

Utility plant		\$48,108,662.42
Electric plant	\$45,236,579.79	
Water plant	2,872,082.63	
Investments		473,065.52
Current and accrued assets		2,810,816.19
Cash	1,166,775.94	
Accounts receivable	570,485.67	
Materials and supplies	573,518.85	
Prepayments	500,035.73	
Deferred debits		172,160.40
Discount on stock		127,704.62
Capital stock expense		<u>252,887.50</u>
	Total assets	<u>\$51,945,296.65</u>

Liabilities

Capital stock		\$18,464,900.00
Common	\$11,000,000.00	
Preferred	7,416,600.00	
Premium on capital stock	48,300.00	
Long-term debt		21,600,000.00
Bonds	18,000,000.00	
Promissory notes	3,600,000.00	
Current and accrued liabilities		1,869,513.79
Accounts payable	835,967.49	
Customers' deposits	48,293.86	
Taxes accrued	911,041.93	
Interest accrued	74,210.51	
Deferred credits		391,627.47
Reserves		7,753,851.09
Depreciation	7,528,761.27	
Other	225,089.82	
Contributions in aid of construction		128,103.58
Earned surplus		<u>1,737,300.72</u>
	Total liabilities	<u>\$51,945,296.65</u>

Applicant estimates its net construction expenditures, exclusive of its Toketee Falls and other North Umpqua hydro-electric projects for December, 1948, and for the year 1949 will amount to \$4,166,272, and that its net construction expenditures on Toketee Falls and other North Umpqua projects for December, 1948, and for the year 1949 will amount to \$3,840,120. Its

estimated expenditures are shown in some detail in Exhibit "A" and Exhibit "B" on file in this application. Further, Applicant reports that it has expended prior to December 1, 1948, \$743,537.44 for capital purposes, which it did not obtain from the issue of stocks or bonds.

To reimburse its treasury because of said expenditures of \$743,537.44, to pay \$4,500,000 of notes issued under previous authority granted by the Commission, and to pay in part for said construction expenditures, Applicant asks permission to execute a \$10,000,000 credit agreement and issue notes pursuant thereto. A copy of the credit agreement is on file in this application as Exhibit "C". The following banks are parties to the credit agreement:

<u>Name of Bank</u>	<u>Commitment of Bank</u>
The Chase National Bank of the City of New York	\$ 6,000,000
American Trust Company, San Francisco	2,000,000
Harris Trust and Savings Bank of Chicago	1,500,000
Commercial National Bank and Trust Company of New York	<u>500,000</u>
Total	<u>\$10,000,000</u>

The credit agreement provides that the banks will from time to time, up to December 31, 1949, when requested by Applicant, loan Applicant an amount up to \$10,000,000, to be evidenced by promissory notes payable December 31, 1950. The credit agreement further provides that within five days after its effective date, Applicant will borrow at least \$4,500,000 for the purpose of paying \$4,500,000 of outstanding notes issued under the credit agreement of July 11, 1947. The credit agreement provides Applicant with \$5,500,000 of new money. The notes evidencing the

initial loans (\$4,500,000) will bear interest at the rate of 2-3/4% per annum, payable quarterly. Notes evidencing borrowing against the additional credit shall bear interest at the greater of the base rate of 2-1/2% per annum until December 31, 1949, and thereafter at the base rate of 2-3/4% per annum, or 3/4 of 1% above the loan rate of the Federal Reserve Bank of New York, in effect under Section 10(b) of the Federal Reserve Act (any change in interest rate resulting from any change in said loan rate to be effective on the effective date of each such change in said loan rate), provided, however, that such notes shall not bear interest prior to maturity at a rate greater than 3-1/4% per annum. Applicant agrees to pay the banks on April 1, 1949, for the credit remaining available after the initial loans, for the period commencing with the effective date of this agreement and then expired and quarterly thereafter for each quarter-annual period then ending, a fee computed at the rate of 1/2 of 1% per annum on the average daily unused amount of each bank's commitment available during each such period. The agreement further provides that the notes shall be repayable at any time, as a whole or in part, without premium unless such prepayment is made directly or indirectly from the proceeds or in anticipation of other bank borrowings, in which case such prepayments shall be at a premium calculated to yield 1-3/4% for the period unexpired from the date of such prepayment to the stated date of maturity of the note or notes prepaid.

It is Applicant's intention at an early date to issue its bonds or stock for the purpose of refunding the notes issued under the credit agreement.

Applicant asks the Commission to exempt the execution of the credit agreement and the issue of notes pursuant thereto from its competitive bidding order in Decision No. 38614, dated January 15, 1946. This request will be granted.

A review of the data contained in this application indicates that Applicant has need for the additional funds which it may obtain under the credit agreement to reimburse its treasury, to pay indebtedness and construction expenditures.

O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the execution and delivery of said credit agreement and the issue of notes 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 this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company may, after the effective date hereof and on or before March 1, 1949, execute and deliver a credit agreement in, or substantially in, the form of the credit agreement on file in this application as Exhibit "C", providing Applicant with a credit of not exceeding \$10,000,000.

2. The California Oregon Power Company may, after the effective date hereof and on or before December 31, 1949, for the

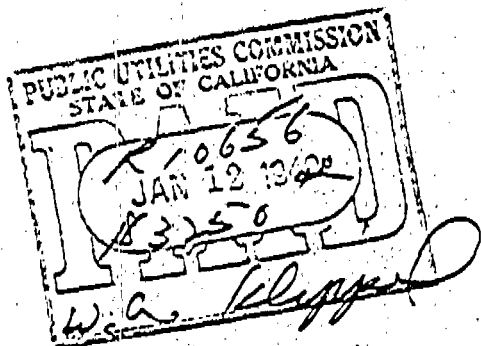
purpose of paying outstanding notes in the amount of not exceeding \$4,500,000, to reimburse its treasury and pay in part the cost of the additions to, extensions of and betterments or improvements to its properties referred to in said Exhibit "A" and said Exhibit "B" on file in this application, issue under the terms and conditions of said credit agreement, notes in the principal amount of not exceeding \$10,000,000.

3. The execution of said credit agreement and the issue of notes thereunder are exempt from the provisions of the Commission's Decision No. 38614, dated January 15, 1946, in Case No. 4761.

4. 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.

5. Within thirty (30) days after the execution and delivery of said credit agreement, The California Oregon Power Company shall file with the Commission two (2) copies of the credit agreement executed under the authority herein granted. Applicant shall also from time to time file with the Commission a copy of each note issued under the authority herein granted and a statement showing in general the purposes for which the proceeds of such note were expended.

Dated at San Francisco, California, this 12th day of January, 1949.



Handwritten signatures of four commissioners: R. T. [unclear], Justice F. [unclear], [unclear], and Harold P. [unclear]. Below the signatures, the word 'Commissioners' is printed.