

ORIGINAL

Decision No.. 42000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

THE CALIFORNIA OREGON POWER COMPANY,

a corporation, for an order exempting from the Commission's competitive bidding rule the proposed issuance and sale of 250,000 shares of common stock.

Application
No. 30346

Brobeck, Phleger & Harrison, by George D. Rives,
for applicant.

O P I N I O N

In this application, The California Oregon Power Company asks the Commission to issue an order exempting applicant's proposed issue and sale of 250,000 shares of common stock of the par value of \$20 per share from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

The testimony shows that applicant is engaged in a five-year construction program which, when completed in 1953, will add 145,000 kilowatts of hydro-electric generating capacity, as well as extensive additions and improvements to its transmission and distribution facilities. The over-all cost of the program may run as high as \$50,000,000, and will more than double applicant's present investment in plant and property. To finance in part construction expenses to date, applicant, pursuant to the credit agreement executed under the authority granted by Decision No. 42408, dated January 12, 1949, has borrowed \$8,000,000. It intends to borrow

under such agreement an additional \$1,000,000 in July and an additional \$1,000,000 in August. To pay the loans of \$10,000,000 and provide itself with construction funds, applicant proposes to sell at a later date \$7,000,000 of bonds and said 250,000 shares of common stock. This application does not involve the issue and sale of either the bonds or shares of stock.

Applicant has 550,000 shares of common stock outstanding. They are held by 5,859 stockholders. Eighty-eight percent of the outstanding shares are held by residents of the Pacific Coast states (California 74%, Oregon 10%, Washington 4%). Within applicant's service area there are 221 stockholders, owning a total of 24,975 shares.

Applicant believes that it is to its interest to attain a greater distribution of its common stock in its service area and in areas outside the Pacific Coast states. It believes that this can be accomplished with a greater degree of certainty if it is permitted to sell the 250,000 shares of common stock on a negotiated basis. Applicant's president testified that previous sales of applicant's common stock through competitive bidding have not been advantageous to it, and that the comparatively low price of its common stock is directly traceable to such sales. To support his conclusion he calls attention to the fact that in 1946 Standard Gas and Electric Company, then owner of all of applicant's common stock, rejected all bids for such stock as being inadequate; that about a year later the shares of stock were again offered for sale but the bidding was postponed because the market conditions had so deteriorated that there was little likelihood that the stock could be sold at a satisfactory price to the seller, and that the stock

was finally sold on a semi-negotiated sale at \$20.35 per share. His testimony further shows that in 1948 applicant offered for sale through competitive bidding 100,000 shares of its common stock; that three syndicates had been formed but one withdrew the day before the date fixed for the opening of the bids; that the price offered by the successful bidder, to wit, \$19.91 per share, was not satisfactory to the company but was accepted by it because it needed money to meet its commitments.

Applicant's president further testified that applicant is a comparatively small and unknown company, with no long, impressive past dividend record, and is serving an area in which public ownership is a very live issue; that in his opinion applicant's common stock is under-priced in a too-limited market, and that to carry out its construction program it is essential that applicant develop a wider market for its common stock. This, applicant's president believes, can best be accomplished by its exercising some control over the selection of underwriters and dealers to distribute its common stock.

The record shows that applicant's request for exemption from the Commission's competitive bidding rule is not made because of any prejudice against competitive bidding, but because applicant feels that competitive bidding, in this instance, cannot serve applicant's need as effectively as can a negotiated sale. It admits that competitive bidding has served applicant adequately to date in connection with its bond offerings.

The testimony warrants the Commission to grant applicant's request. Applicant will in due time file with the Commission an application for permission to issue and sell the 250,000 shares of

common stock. In that application or in a supplement thereto, it will advise the Commission of the specific terms and conditions under which it proposes to issue and sell said 250,000 shares of common stock.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application and being of the opinion that the issue and sale of 250,000 shares of common stock by The California Oregon Power Company, provided it obtains for said shares a price satisfactory to the Commission, should be exempt from the provisions of the order in Decision No. 38614, dated January 15, 1946; therefore,

IT IS HEREBY ORDERED that the issue and sale of said 250,000 shares of common stock by The California Oregon Power Company, provided it obtains for said shares a price satisfactory to the Commission, is exempt from the provisions of the order in Decision No. 38614, dated January 15, 1946.

IT IS HEREBY FURTHER ORDERED that the Commission retains jurisdiction over the issue and sale of said 250,000 shares of common stock by The California Oregon Power Company.

IT IS HEREBY FURTHER ORDERED that this order is effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 6th day
of July, 1949.

Robert Anderson

Leah K. Kucce

Harold P. Hulse

Henrietta Potter
Commissioners