

ORIGINAL

Decision No. 43165

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 Second Supplemental Indenture

Application
No. 30522

O P I N I O N

This is an application by The California Oregon Power Company for an order authorizing it to execute a supplemental indenture and to issue and sell, at prices to be fixed by the Commission in a supplemental order, or orders, in this proceeding, \$7,000,000 of its First Mortgage Bonds, Series due August 1, 1979, and 250,000 shares (\$5,000,000 par value) of its common stock for the purpose of refunding \$9,000,000 of notes and of financing construction expenditures.

As of May 31, 1949, applicant reported outstanding-

First mortgage bonds-	
Series due Nov. 1, 1974, 3-1/8%	\$13,500,000
Series due Apr. 1, 1978, 3-1/8%	<u>4,500,000</u>
Total first mortgage bonds	18,000,000
Promissory notes, due Dec. 31, 1950	7,000,000
Preferred stock	7,416,600
Common stock	11,000,000

Since May 31, 1949, applicant has issued additional notes in the amount of \$2,000,000. Such notes, now in the aggregate amount of \$9,000,000, were issued pursuant to authority granted by Decision No. 42408, dated January 12, 1949, to pay an earlier issue of \$4,500,000 of notes and to meet, in part, construction requirements.

The \$7,000,000 of additional bonds applicant now proposes to issue will constitute a new series to be issued pursuant to its First Mortgage and Deed of Trust dated November 1, 1944, and a Second Supplemental Indenture, to be dated August 1, 1949, setting forth the terms of such new series. They will be dated August 1, 1949 and will mature August 1, 1979. Applicant proposes to invite competitive bids for the purchase of said bonds, the bids to determine the coupon rate and the price, not less than the principal amount of the bonds, to be paid for them.

As to the proposed issue of \$5,000,000 par value of common stock, the Commission, by Decision No. 43090, dated July 6, 1949, after a public hearing, exempted it from the requirements of the Commission's competitive bidding rule, provided applicant obtain a price for said stock satisfactory to the Commission. Applicant reports that presently it is negotiating with Blyth & Co., Inc. and The First Boston Corporation to form a group of underwriters to purchase said stock, the selling price to the underwriters and the public offering price to be determined by market conditions at the time a firm contract is made for the sale.

In support of the request to issue additional bonds and stock, applicant reports that between January 1, 1947, and May 31, 1949, as shown in some detail in Exhibit "C", its net expenditures for construction aggregated \$13,080,300.75 and its expenditures for retirement of debt and preferred stock, \$16,676,100, a total of \$29,756,400.75, and that \$27,900,000 of this amount had been paid or provided through the issue of securities (including its promissory notes) leaving a balance of \$1,856,400.75 not provided through the issue of bonds, notes or

stock. In Exhibit "D" applicant reports its capital requirements during the period from June 1, 1949, to December 31, 1949 as follows:

Net additions to plant-	
Toketee Falls hydro project, including	
transmission lines and substations	\$ 1,691,326.00
Other production plant expenditures	142,775.00
Transmission lines and substations,	
other than Toketee Falls project	462,043.00
Distribution lines and substations	1,313,363.00
General	238,909.00
Water plant	343,398.00
Other physical property	(7,100.00)
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Sub-total	4,184,714.00
Expenditures January 1, 1947 to May 31,	
1949, not paid or provided through	
the issue of securities	1,856,400.75
Retirement of promissory notes	9,000,000.00
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Total	<u>\$15,041,114.75</u>

The exhibit indicates that \$2,000,000 of these requirements have been met through the issue of notes since May 31, 1949, leaving a balance of \$13,041,114.75 to be financed through the issue of the bonds and stock covered by this application, and from other sources.

O R D E R

The Public Utilities Commission having considered the above entitled matter 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 said bonds and stock is reasonably required by applicant for the purposes specified herein, and that the expenditures for such purposes, other than accrued interest, 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 September 15, 1949, may execute a Second Supplemental Indenture, in substantially the same form as that filed in this proceeding as Exhibit 7-C, and may issue and sell, at a price to be fixed by the Commission in a supplemental order, \$7,000,000 of its First Mortgage Bonds, Series due August 1, 1979.

2. The California Oregon Power Company shall publish an invitation for proposals for the purchase of said \$7,000,000 of bonds not less than five days prior to the date set for the opening of bids.

3. Pending the preparation and delivery of definitive bonds, The California Oregon Power Company may issue, sell and deliver temporary bonds in the principal amount of \$7,000,000 under the same terms and conditions as those under which it is authorized to issue and sell said definitive bonds.

4. The California Oregon Power Company, after the effective date hereof and on or before September 15, 1949, may issue and sell, at a price to be fixed by the Commission in a supplemental order, 250,000 shares of its common stock of the aggregate par value of \$5,000,000.

5. The California Oregon Power Company shall use the proceeds, other than accrued interest, to be received from the issue and sale of the bonds herein authorized to pay \$7,000,000 of the promissory notes presently outstanding and shall use any proceeds not applied to the payment of said notes, other than accrued interest, to finance in part its 1949 construction

expenditures. It shall use the proceeds to be received from the issue and sale of the common stock herein authorized to pay \$2,000,000 of the promissory notes presently outstanding and to finance in part its 1949 construction expenditures. The accrued interest may be used for general corporate purposes.

6. The authority herein granted to issue and sell bonds will become effective when the Commission has entered a supplemental order fixing the price at which The California Oregon Power Company may sell said bonds, and when The California Oregon Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act. The authority to issue and sell common stock will become effective when the Commission has entered a supplemental order fixing the price at which The California Oregon Power Company may sell said stock. All other authority herein granted is effective upon the date hereof.

7. Within thirty days after the issue and sale of the bonds and stock herein authorized, The California Oregon Power Company shall file with the Commission a statement showing the names of those to whom it sold said bonds and stock, the price at which it sold the same, the amount of the proceeds used to pay notes and the amount applied, or to be applied, to the payment of construction expenditures. Within six months after said issue and sale it shall file with the Commission a statement showing in some detail the expenses incurred by it in connection therewith and the accounts to which such expenses were charged.

8. Within thirty days after the issue and sale of the bonds and stock herein authorized, The California Oregon Power Company shall file with the 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 Commission.

Dated at Los Angeles, California, this 2nd day of August 1949.

A. J. Anderson
Justus F. Calver
Robert F. Calver
Harold A. Kuli
James H. Potter
Commissioners

