

ORIGINAL

Decision No. 45662

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 issuance and)
 sale of 250,000 shares of common stock and) Application
 \$6,000,000 principal amount of bonds, and) No. 32328
 the execution of a Third Supplemental In-)
 denture; and exempting from the Commission's)
 competitive bidding rule the issuance and)
 sale of said common stock.)
 -----)

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

O P I N I O N

This is an application for an order authorizing The California Oregon Power Company to execute a Third Supplemental Indenture and to issue and sell, at competitive bidding, \$6,000,000 of its First Mortgage Bonds, Series due June 1, 1981, and authorizing it to issue and sell, exempt from competitive bidding, 250,000 shares of its common stock of the aggregate par value of \$5,000,000, for the purpose of paying outstanding indebtedness.

A public hearing on the application was held in San Francisco on May 2, 1951. The Commission has received no protest to the granting of applicant's requests.

Applicant is a California corporation engaged in the production, transmission and distribution of electricity in northern California and in southern Oregon. According to its application, its properties include 14 hydro power plants with a total rated capacity of 142,670 kilowatts, with appurtenant storage and regulating

reservoirs, approximately 1,464 pole miles of transmission lines and approximately 3,666 pole miles of distribution lines, along with office buildings and other facilities. In Exhibit A, applicant reports its investment in electric utility plant, as of February 28, 1951, at \$66,297,667.13.

It appears that applicant has financed the cost of its properties, in part, through the issue of bonds, preferred and common stock and short-term notes. As of February 28, 1951, it reported its outstanding securities as follows:

First mortgage bonds -		
Series due November 1, 1974, 3-1/8%	\$13,500,000	
Series due April 1, 1978, 3-1/8%	4,500,000	
Series due August 1, 1978, 2-7/8%	<u>7,000,000</u>	
Total first mortgage bonds		\$25,000,000
Notes, 2-1/4% due July 1, 1951		11,000,000
Preferred stock-\$100 par value -		
7% cumulative, non-callable	2,437,300	
6% cumulative, non-callable	779,300	
4.70% cumulative, callable	<u>4,200,000</u>	
Total preferred stock		7,416,600
Common stock-\$20 par value		<u>16,000,000</u>
Total		<u>\$59,416,600</u>

Applicant now desires to make provision for the payment of the \$11,000,000 of notes. Subject to receiving permission from the Commission, it intends to invite bids for the purchase of \$6,000,000 of a new series of bonds to be known as First Mortgage Bonds, Series due June 1, 1981, and to bear interest at a rate to be fixed by the successful bidder, and to enter into negotiations for the sale of \$5,000,000 par value of its common stock. The effect of the proposed issues, if consummated, on its capital structure is indicated in the following tabulation:

	As of Feb. 28, 1951	Giving Effect to Issues
Bonds	40.1%	49.7%
Bank loans	17.6	-
Preferred stock	11.9	11.9
Common stock equity	<u>30.4</u>	<u>38.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

It clearly appears that applicant will have need for funds from outside sources to pay its outstanding notes and that the issue and sale of bonds and common stock at this time, in the amounts requested, is desirable.

There remains to be considered applicant's request that the Commission exempt the proposed issue and sale of common stock from its competitive bidding rule. The record shows that applicant's common stock is not listed on any exchange and is not traded generally over the counter. Applicant is of the opinion that the successful offering of its stock will require advance preparation of the market, timing of the offering to meet market conditions and intensive sales effort, and that a negotiated underwriting for the sale of applicant's stock will result in a better price with a more favorable distribution. Applicant points out that its annual construction needs may average \$10,000,000 over the next five years and that because of the necessity of maintaining a sound capital structure it must assure itself that it will be able to dispose of its stock rather than risk receiving no bids or receiving low bids.

Upon the record made in this proceeding, the Commission is warranted in granting the exemption as requested.

Accordingly, a preliminary order will be entered at this time authorizing the execution of a supplemental indenture defining the terms of the new series of bonds and authorizing the issue and sale of \$6,000,000 of such bonds and \$5,000,000 of common stock. At a later date applicant will file a supplemental application, or applications, setting forth the prices, terms and conditions of the

proposed issues. At that time, or times, the Commission will consider entering a further order, or orders, giving final approval in this matter.

Applicant requests that because of uncertainties in market conditions it be authorized to shorten to five days the time between publication of invitations for the purchase of its bonds and the date set for opening the bids. This request will be granted.

ORDER

A public hearing having been held in this application, and the Commission having considered the matter and being of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the bonds and common stock herein authorized 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; therefore,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company, after the effective date hereof and on or before August 31, 1951, may execute a Third Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit 1.
2. The California Oregon Power Company, after the effective date hereof and on or before August 31, 1951, may publish invitations for bids for the purchase of \$6,000,000 of First Mortgage Bonds, Series due June 1, 1981, not less than five (5) days prior to

the date set for the opening of said bids, and may issue and sell such bonds at a price to be fixed by the Commission in a supplemental order. Pending the preparation and delivery of definitive bonds, applicant may issue and sell temporary bonds under the same terms and conditions as those under which it is authorized to issue and sell said definitive bonds.

3. The issue and sale of 250,000 shares of common stock hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, provided applicant make arrangements for the sale of said shares at a price satisfactory to the Commission.

4. The California Oregon Power Company, after the effective date hereof and on or before August 31, 1951, may issue and sell said 250,000 shares of common stock at a price to be fixed by the Commission in a supplemental order.

5. The California Oregon Power Company shall use the proceeds from the sale of said bonds, other than accrued interest, to pay outstanding notes heretofore issued under authorization granted by the Commission and shall use the proceeds from the sale of its common stock to pay the remaining outstanding notes and, if any proceeds are available, to reimburse its treasury for income expended for additions to plant and to finance in part 1951 construction expenditures. The accrued interest may be used for general corporate purposes.

6. The authority herein granted to issue and sell bonds and common stock will become effective when the Commission by a supplemental order, or orders, has fixed the prices at which applicant may sell the same. In other respects, the authority herein granted is effective upon the date hereof.

7. Within sixty (60) days after the issue and sale of the bonds and stock herein authorized, applicant shall file with the Commission three (3) copies of its prospectus and a report showing the amount of bonds and stock issued and sold, the prices at which sold, the names of those to whom sold and the purposes for which the proceeds were used, and three (3) copies of its Third Supplemental Indenture as executed. Within six (6) months after such issue and sale, applicant shall file a statement showing in some detail the expenses incurred by it incident thereto and the accounts to which such expenses were charged.

Dated at Los Angeles, California, this 8th day of
May, 1951.

R. J. [Signature]
Justus J. [Signature]
Harold P. [Signature]
[Signature]
[Signature]
Commissioners