

**ORIGINAL**

Decision No. 50826

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	)	Application
of Shares of Common Stock in Exchange	:	No. 36192
for Outstanding Shares of Applicant's	)	
Seven Per Cent Preferred Stock and	:	
Six Per Cent Preferred Stock.	)	
-----	:	

O P I N I O N

This is an application of The California Oregon Power Company for an order of the Commission authorizing it to issue shares of its common capital stock in exchange for outstanding shares of its 7% preferred stock and 6% preferred stock.

Applicant is a California corporation and operates as a public utility in the production, transmission, distribution and sale of electricity in northern California and southern Oregon. In the September 30, 1954, balance sheet attached to the application as Exhibit A it reports a net investment in assets of approximately \$106,000,000 which it has financed as follows:

Long-term debt -		
Bonds	\$48,000,000	
Notes	<u>11,500,000</u>	\$ 59,500,000
Preferred stock		7,416,600
Common stock equity -		
Common stock at par	32,000,000	
Earned surplus	3,051,376	
Premium on common stock	<u>4,162,050</u>	<u>39,213,426</u>
	Total	<u>\$106,130,026</u>

The outstanding preferred stock consists of the following:

24,373 shares of 7% preferred	\$2,437,300
7,793 shares of 6% preferred	779,300
42,000 shares of 4.70% preferred	<u>4,200,000</u>
Total	<u>\$7,416,600</u>

The shares of 7% preferred and 6% preferred stock were issued from time to time during the period from 1921 to 1925, during which time the cost of money to applicant was materially higher than at the present time. Said series of preferred stock are nonredeemable.

Applicant now proposes to offer to the holders of its outstanding 7% and 6% preferred stock shares of its common stock on an exchange basis. It proposes to issue five shares of its \$20 par value common stock for each share of its \$100 par value 7% preferred stock and 4.4 shares of common stock for each share of its \$100 par value 6% preferred stock. Applicant's capital stock is not listed on any exchange but it reports the present fair market value of its 7% preferred at approximately \$135 a share, of its 6% preferred at approximately \$120 a share, and of its common stock at approximately \$30 a share.

Applicant believes that the retirement of its 7% and 6% preferred stocks will enable it to improve its capital structure. Its capitalization ratios as of September 30, 1954, actual, and pro forma assuming the exchange of all its 7% preferred and 6% preferred stock for its common stock, are as follows:

	<u>Actual</u>	<u>Pro Forma</u>
Long-term debt	56.1%	56.1%
Preferred stock	7.0	3.9
Common stock equity	<u>36.9</u>	<u>40.0</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

Applicant is of the opinion that it will be advantageous for it to issue and sell new preferred stock in the future to finance

capital additions and that it will be in a position to dispose of such stock on more favorable terms if it is able first to retire the 7% preferred and 6% preferred than would be the case if such stock remains outstanding. It is also applicant's opinion that its overall capital costs will be decreased if it is able to retire the 7% preferred and 6% preferred stock by the issuance of common stock at this time. It is applicant's plan to issue additional preferred stock as a form of permanent financing within the next two or three years and it believes it can achieve a better balanced capital structure by increasing the capitalization ratio of its preferred stock to approximately 15%.

Under applicant's proposal it will not issue any fractional shares of its common stock in effecting the exchanges. Any holder of 6% preferred stock otherwise entitled to the issuance of fractional shares will be required to instruct the exchange agent either to sell such fractional interest for the account of such holder or to buy additional fractional interests for his account sufficient, in combination with his own fractional interest, to entitle such holder to the issuance of a whole share of applicant's common stock.

The total number of applicant's outstanding 7% preferred shares is 24,373 and the maximum number of shares of common stock to be offered to the holders of said 7% preferred on the basis of five for one will be 121,865 shares. The total number of outstanding 6% preferred shares is 7,793, and inasmuch as no fractional shares of common stock will be issued in exchange therefor, the maximum number of shares of common stock to be so offered to the holders of said 6% preferred stock will be 34,289. The exchange offer is to be made for a period commencing upon obtaining the necessary authorizations and will terminate at the close of business on February 15, 1955.

From a review of the application it appears that applicant's capital structure will be improved by the proposed exchange of shares of common stock for the outstanding 7% preferred and 6% preferred stock. Accordingly, an order will be entered granting applicant's request.

O R D E R

The 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 by the issue of the shares of stock herein authorized is reasonably required by applicant for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

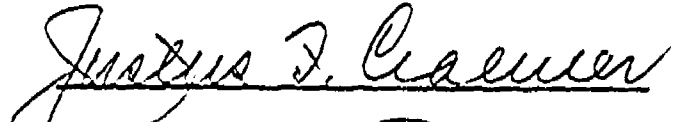
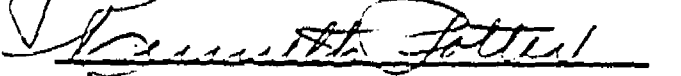
1. The California Oregon Power Company, after the effective date hereof and on or before June 30, 1955, may issue not exceeding 121,865 shares of its common stock in exchange for 24,373 shares of its outstanding 7% preferred stock on the basis of five shares of common stock for each share of 7% preferred stock, and may issue not exceeding 34,289 shares of its common stock in exchange for 7,793 shares of its outstanding 6% preferred stock on the basis of 4.4 shares of common stock for each share of 6% preferred stock.

2. The California Oregon Power Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 7<sup>th</sup> day of DECEMBER, 1954.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
  
\_\_\_\_\_

  
\_\_\_\_\_  
  
\_\_\_\_\_  
Commissioners