

ORIGINAL

Decision No. 55532

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 200,000 shares of common stock and \$10,000,000 principal amount of bonds, and the execution of a Seventh Supplemental Indenture; and exempting from the Commission's competitive bidding rule the issuance and sale of said common stock.

Application No. 39319

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

O P I N I O N

The California Oregon Power Company has filed this application for authorization to issue and sell \$10,000,000 principal amount of First Mortgage Bonds, Series due October 1, 1987, and to issue 200,000 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$4,000,000.

The application was filed with the Commission on August 12, 1957. A public hearing was held before Examiner Coleman in San Francisco on August 30, 1957, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant proposes to offer its bonds for sale at competitive bidding, the interest rate, as well as the price, to be fixed as the result of such bidding. The bonds will constitute a new series, will be dated October 1, 1957, will mature October 1, 1987, and will have an optional redemption price for the 12-months' period beginning October 1, 1957 equivalent to the initial public offering price, plus $5\frac{1}{2}$ per cent of the principal amount thereof, with annually declining premiums thereafter, provided, however, that prior to October 1, 1962, the bonds will not be subject to optional redemption by applicant if such redemption is for the purpose, or in anticipation of, refunding such bonds through the use, directly or indirectly, of funds borrowed by applicant at a rate of interest less than the rate of interest borne by the bonds.

With respect to the issue and sale of the common stock, applicant requests the Commission to exempt the same from competitive bidding and to authorize it to dispose of its shares by a negotiated underwriting at a price to be fixed by the Commission in a supplemental order. Applicant asserts, on the basis of its experience, that under prevailing conditions, particularly in view of its declining earnings in the past six months, it can obtain more favorable terms if negotiations are had with underwriters long familiar with applicant's affairs than if the sale were to be attempted through competitive bidding. It feels that greater flexibility in timing the offering of the stock to meet market conditions can more readily be obtained under negotiated arrangements with underwriters who will provide the prior preparation of the market which is essential to the successful distribution of its shares than would be the case if competitive bidding were utilized.

The purpose of the proposed financing is to provide applicant with funds to pay \$14,000,000 of bank loans representing temporary financing approved by the Commission by Decision No. 52883, dated April 17, 1956, in Application No. 37905, and, if any proceeds remain in excess of the amounts needed to liquidate such loans, to reimburse the treasury for capital expenditures not provided by the issue of securities. In Exhibit B, applicant reports such unreimbursed expenditures to be in the amount of \$16,732,300.

Applicant's capital ratios, as of June 30, 1957, and as adjusted to give effect to the proposed financing, are as follows:

	<u>As of</u> <u>6/30/57</u>	<u>Pro</u> <u>forma</u>
Long-term debt -		
Bonds	49.6%	55.2%
Notes	7.0	-
Total long-term debt	<u>56.6</u>	<u>55.2</u>
Preferred stock	10.5	10.2
Common stock equity	<u>32.9</u>	<u>34.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

A review of the record indicates that applicant has obtained satisfactory results from the issue and sale of its stock through negotiated arrangements in the past and that an order is warranted at this time exempting the proposed issue of shares of common stock from the Commission's competitive bidding rule. In our opinion, applicant will have need for the proceeds from the sale of its common stock and bonds for the purposes indicated in this proceeding and, therefore, we are entering our order granting the application.

The authorization herein granted is for the issue and sale of securities only and is not to be construed as indicative of

amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

A public hearing having been held on the above-entitled matter, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the shares of common stock and bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of 200,000 shares of common stock by The California Oregon Power Company hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, provided applicant make arrangements for the sale of said shares at a price satisfactory to the Commission.
2. The California Oregon Power Company, on and after the effective date hereof and on or before February 28, 1958, may issue and sell said 200,000 shares of common stock at a price to be fixed by the Commission in a supplemental order.
3. The California Oregon Power Company may execute and deliver a Seventh Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit C.

4. The California Oregon Power Company may publish invitations for bids for the purchase of \$10,000,000 of First Mortgage Bonds, Series due October 1, 1987, not less than five days prior to the date set for the opening of such bids and may issue and sell said bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

5. The California Oregon Power Company shall use the proceeds to be received from the sale of said shares of common stock and said bonds, exclusive of accrued interest on the bonds, for the purposes indicated in this application. The accrued interest from the sale of the bonds may be used for such purposes or for general corporate purposes.

6. The authority herein granted to issue and sell shares of common stock will become effective when the Commission, by supplemental order, has fixed the price at which applicant may sell said shares. In other respects, the authority herein granted is effective on the date hereof.

7. Within 60 days after the issue and sale of the bonds and shares of common stock herein authorized, applicant shall file with the Commission three copies of its prospectus, and a report, or reports, showing the names of those to whom said shares of common

stock and bonds were sold, the prices at which sold, and the purposes for which the proceeds were used, and two copies of its Seventh Supplemental Indenture as executed.

Dated at San Francisco, California, this 10th day of SEPTEMBER, 1957.

[Signature]
President
[Signature]
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Commissioners