

ORIGINAL

Decision No. 55648

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
THE CALIFORNIA OREGON POWER COMPANY

under Section 830 of the Public  
Utilities Code for an order author-  
izing it to assume liability as  
guarantor of promissory notes  
issued to finance residential  
wiring improvements.

Application No. 39418

O P I N I O N

In this application, The California Oregon Power Company seeks authorization under Section 830 of the Public Utilities Code to assume liability as guarantor of promissory notes to be issued by property owners in its service area for the purpose of financing residential wiring improvements.<sup>1/</sup>

The company reports that there has been developing in its territory a situation where residential electrical wiring is inadequate to accommodate the loads imposed by new and additional electric appliances and that it desires to encourage the modernization of house wiring systems so as to permit the increased use of high wattage equipment and thereby improve its load factor and increase customer usage.

<sup>1/</sup> Section 830 reads as follows:

"No public utility shall assume any obligation or liability as guarantor, endorser, surety, or otherwise in respect of the securities of any other person, firm, or corporation, when such securities are payable at periods of more than 12 months after the date thereof, without having first secured from the commission an order authorizing it so to do. Every such assumption made other than in accordance with the order of the commission authorizing it is void."

Under the contemplated procedure the property owner will undertake to have the improvements made and will issue his note for the cost of the work, plus carrying charges, which note will be delivered to the bank which will advance the funds. The power company will execute its guaranty on the note form upon certification by the property owner that the work has been completed and upon execution by the electrical contractor of a warranty and underwriting agreement to the effect that all bills and charges incurred by him in connection with the work have been paid in full, that no liens have been or will be filed against the premises by reason of the contract for the installation of the wiring, and related and incidental work, and that he will indemnify the property owner and applicant in the event of any loss arising out of such lien.

Applicant will guarantee the payment of the notes subject to a limitation of liability to \$300 on any one note and to a maximum amount of all notes not to exceed \$100,000. It will hold itself out to guarantee notes issued within one year following the effective date of the order of this Commission or the order of the Public Utilities Commissioner of Oregon, whichever is later, authorizing the assumption of the liability. The notes to be issued, by their terms, will run for periods not exceeding 30 months.

Applicant will not advance funds for the improvements and will incur only a contingent liability. It is of the opinion, however, in view of the relatively small amount of any individual loan and the fact that the notes will be executed only by persons who own the property receiving the benefit of the improvements, that any cost to it by reason of defaulted obligations will be low. On

the other hand, it believes the program will assist its sales promotion activities and will be reflected in increased usage of energy and added revenues.

Upon review of the application, it appears to us that applicant's proposal will not be adverse to the public interest and should be authorized, subject to the terms of the order herein.

O R D E R

The California Oregon Power Company having filed the above-entitled application for authorization to assume liability as guarantor of promissory notes and the Commission having considered the matter and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

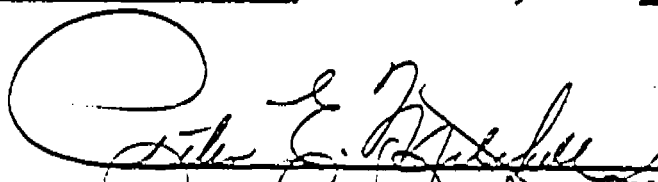
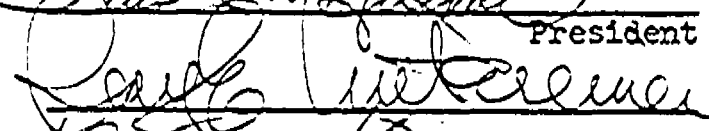

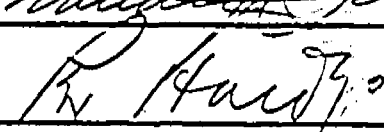
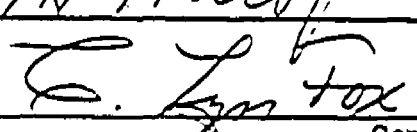
1. The California Oregon Power Company is authorized to assume liability as guarantor of promissory notes maturing more than 12 months after the date thereof and issued under the conditions and for the purposes set forth in this application, subject to a maximum liability on any one note of \$300, provided that such assumption of liability shall be limited to an aggregate amount of notes outstanding at any one time of \$100,000. No guarantee shall be given on notes issued after one year from the effective date of this order or the order of the Public Utilities Commissioner of Oregon, whichever is later.

2. The authorization herein granted is not to be construed as binding the Commission to recognize any losses arising from defaulted obligations as operating expenses for the purpose of fixing rates.

3. In its annual reports to the Commission applicant shall show the amount of the obligations it has guaranteed under the authorization herein granted, the payments, if any, which it has been required to make by reason of defaults in such obligations and the account to which it charged such payments.

4. This order will become effective on the date hereof.

Dated at San Francisco, California, this 7th day of October, 1957.

  
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President  
  
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Commissioners