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Decision No. 13417.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC GAS AND ELECTRIC COMPANY,)
a corporation, for an order of the)
Railroad Commission of the State of)
California authorizing applicant to)
issue and sell to The National City)
Company (a New York corporation)
\$12,500,000 face amount of appli-)
cant's first and refunding mortgage)
gold bonds of Series "C".)

ORIGINAL

Application Number 9964

C. P. Cutten, for Applicant.

BY THE COMMISSION:

OPINION

In this application Pacific Gas and Electric Company asks permission to issue and sell, at not less than 92-1/2 percent. of face value plus accrued interest, \$12,500,000.00 of its first and refunding mortgage Series "C" five and one half percent. bonds due December 1, 1952 for the purpose of acquiring and paying for additional property and for the construction of additions and betterments to its properties and to those of Mt. Shasta Power Corporation.

As of December 31, 1923. applicant reports \$89,929,969.41 of stock outstanding in the hands of the public, consisting of \$35,630,885 of common stock, \$54,274,984.41 of first preferred stock, including stock subscribed for but not fully paid and issued, and \$24,100.00 of original preferred. As of the same date it reports its outstanding funded debt as \$129,592,600.00, consisting of \$86,542,000.00 of Pacific Gas and Electric Company bonds and \$43,050,600.00 of underlying bonds.

The funded debt does not include \$35,079,000.00 of treasury bonds, of which \$33,640,000.00 of general and refunding bonds are deposited with the trustee of the first and refunding mortgage. Other indebtedness is reported as \$8,895,347.16, which includes \$2,323,815.21 of accounts payable and unaudited bills, \$1,705,870.58 of interest and \$2,343,255.17 of taxes accrued and not due, \$847,773.55 of consumer's deposits, \$712,149.00 of dividends declared and \$962,483.74 of miscellaneous current liabilities.

Applicant in its Exhibit "F" reports its revenues and expenses and those of subsidiary companies, for the year ending December 31, 1923 as follows:-

Gross revenue \$39,321,535.55

DEDUCT:

Maintenance	\$3,442,978.84	
Operating, distribution and administration expenses	16,020,544.35	
Taxes	4,029,886.90	
Depreciation	3,224,757.06	
		<u>26,718,167.15</u>
Balance		12,603,368.40

ADD:

Miscellaneous income		<u>650,206.96</u>
Total		13,253,575.36

DEDUCT:

Interest on bonds	6,551,427.23
Other interest	<u>39,281.58</u>
Total	6,590,708.81

LESS:

Interest charged to construc- tion	<u>424,891.56</u>
Total interest charged to income	6,165,817.25
Amortization of debt discount and expense	<u>331,463.68</u>

Total	<u>6,497,280.93</u>
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NET INCOME, amount available for dividends, sinking funds and surplus.... \$6,756,294.43

Pacific Gas and Electric Company owns all the outstanding stock, except director's shares, of Mt. Shasta Power Corporation, which corporation is engaged in extensive hydroelectric construction work in Northern California. By Decision Number 8724, dated March 10, 1921, the Commission authorized Pacific Gas and Electric Company and Mt. Shasta Power Corporation to execute a mortgage, or deed of trust, to secure the payment of \$160,000,000.00 of first and refunding mortgage bonds. Heretofore, under various orders of the Commission, the company has issued \$10,720,000.00 of Series "A" seven percent. bonds due December 1, 1940, \$20,000,000.00 of Series "B" six percent. bonds due December 1, 1941 and \$20,000,000.00 of Series "C" five and one half percent. bonds due December 1, 1952. The Series "C" bonds, of which applicant now proposes to issue an additional \$12,500,000.00, are dated December 1, 1922, bear interest at five and one half percent. per annum, are due December 1, 1952 and are redeemable at the option of the company, in whole or in part, upon any interest payment date at face value and accrued interest, plus a premium of five percent. of the principal amount thereof.

Applicant reports that it has made arrangements to sell the Series "C" bonds at ninety-two and one half percent. of their face value plus accrued interest. It proposes to use the proceeds to finance, in part, the cost of extensions, additions and betterments to its plants and properties and to those of Mt. Shasta Power Corporation. In Exhibit "C" filed at the hearing in this proceeding, applicant reports that it will need \$21,210,013.72 to complete construction work in progress on February 29, 1924. This figure is segregated as follows:-

PACIFIC GAS AND ELECTRIC COMPANY:

Electric department	\$6,103,359.47	
Gas department	1,840,109.22	
Other departments ...	<u>2,117,229.19</u>	
TOTAL.		\$10,060,697.88

MT. SHASTA POWER CORPORATION:

		<u>11,149,315.84</u>
TOTAL		<u>\$21,210,013.72</u>

In addition to these expenditures, which have been specifically authorized by applicant's executive committee, applicant reports that a large amount of routine construction work is being constantly carried on in all divisions, which work amounted to \$3,636,443.95^{in 1923} and to \$760,598.64 during the first two months of 1924, as shown in Exhibit "C".

In its Exhibit "C" applicant submits detailed information regarding all authorized expenditures exceeding \$10,000.00 in any one case. Such authorized expenditures on the Pacific Gas and Electric Company system total \$13,769,602.69; on the Mt. Shasta Power Corporation \$13,778,334.00; making a grand total of \$27,547,936.69. As of February 29, 1924 Exhibit "C" shows that \$20,127,762.40 will be required to complete the work, the total cost of which is estimated at \$27,547,936.69.

ORDER

Pacific Gas and Electric Company, having applied to the Railroad Commission for permission to issue and sell \$12,500,000.00 of its first and refunding mortgage Series "C" five and one half per cent. bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue and sale of such bonds is reasonably required for the purposes herein specified, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be, and it is hereby, authorized to issue and sell on or before September 1, 1924, at ninety two and one half percent. of their face value and accrued interest, \$12,500,000.00 of its five and one half percent. first and refunding mortgage gold bonds due December 1, 1952 and use the proceeds, other than accrued interest, to pay in part such cost of

the additions and betterments to its properties and those of Mt. Shasta Power Corporation described in detail in Exhibit "C", as is properly chargeable to fixed capital account under the uniform system of accounts prescribed by the Commission, and has not been financed through the issue of stock or bonds heretofore authorized by the Commission. The accrued interest may be used for general corporate purposes.

The authority herein granted is subject to further conditions as follows:-

1. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$6,125.00.
2. Applicant shall keep such record of the issue, sale and delivery of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

DATED at San Francisco, California, this 15th day of April, 1924.

Fee \$6125.00
APR 16 1924
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Commissioners.