

DEM

Decision No. 17801.

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, sell and deliver its pre-)
ferred and common capital stock to)
the amount, in the manner, and for)
the purposes set forth herein.)

ORIGINAL

Application No. 13350

C. P. Catten, for applicant.

BY THE COMMISSION:

OPINION

Pacific Gas and Electric Company asks permission to issue and sell \$1,000,000.00 of its first preferred stock and \$1,000,000.00 of its common stock and to use the proceeds to reimburse its treasury, in part, on account of capital expenditures of \$6,631,162.88 made prior to August 31, 1926 and/or to finance, in part, the cost of constructing additions, betterments, extensions and improvements to its facilities and to those of Mt. Shasta Power Corporation.

The company is engaged in the business of producing, generating, transmitting, delivering, furnishing and selling to the public electricity and gas for light, heat and power purposes, and of storing, selling and distributing water to the public for domestic uses and for power and irrigation purposes in many towns, cities and counties in northern and central California, and of distributing and selling steam heat in the City of Oakland and the City and County of San Francisco and of operating street railways in the City of Sacramento. It reports that it is impossible to state the original cost of its lands, franchises, water rights, properties, lines, plants and equipment. In

Paragraph VII(a) of the petition it alleges, however, that

"Applicant has caused a careful appraisal to be made of its properties as they existed on December 31, 1923, is informed and believes and therefore says that, at December 31, 1923, the value of applicant's properties, exclusive of the value of the water rights on the Pacific Gas and Electric Company system, and exclusive of the value of applicant's developed business considered a going concern, and exclusive of the value of applicant's patent rights and franchises, exceeded the sum of \$232,000,000.00.

Since December 31, 1923 applicant has expended large sums of money for the acquisition of property and for the construction, completion, extension and improvement of its facilities and the facilities of said Mt. Shasta Power Corporation and therefore says that the value at October 31, 1926 of the properties referred to in the last preceding paragraph, exceeds the sum of \$300,000,000.00."

Applicant submitted no testimony in support of the allegations contained in Paragraph VII(a) of its petition, nor has any determination been made by this Commission in regard to the correctness of such allegations.

The company, as of October 31, 1926, reports outstanding against its properties \$113,409,546.91 of stock, consisting of \$60,608,531.91 of six percent cumulative preferred stock and \$52,801,015.00 of common stock. In addition it reports that it has subscriptions for \$1,832,900.00 of the preferred stock and \$64,100.00 of the common stock. In making the present request to issue \$2,000,000.00 of stock the company reports the necessity of making expenditures for additions and betterments, and it asks permission to use the proceeds to be secured from the sale of the stock to reimburse its treasury in part and to finance in part the cost of estimated capital expenditures as follows:-

Unreimbursed capital expenditures at August 31, 1926 of Pacific Gas and Electric Co. and Mt. Shasta Power Corporation (Exhibit "B", App. 13291)	\$6,631,162.88
Unexpended balance of capital expenditures authorized at August 31, 1926 by Pacific Gas and Electric Co. (Exhibit "C", Application No. 13291)	7,230,169.53
Estimated cost of new construction, Pacific Gas and Electric Co. for 1926 and 1927 (Exhibit "D", Application No. 13291)	8,000,000.00
Unexpended balance of capital expenditures authorized at August 31, 1926 by Mt. Shasta Power Corporation (Exhibit "E", Application No. 13291)	1,125,208.61
Total.....	<u>\$ 22,987,541.02</u>

The Commission has heretofore authorized Pacific Gas and Electric Company, by orders in Application No. 13291, to use stock and bond proceeds of \$605,281.73 and to use the proceeds to be received from the sale of \$2,957,100.00 of preferred stock theretofore authorized to be issued, to meet in part the reported expenditures of \$22,987,541.02. Except as to these two amounts the reported expenditures have not been paid or provided through the issue of securities so it seems to us that there is an ample margin against which we may authorize the issue of the additional \$2,000,000. of stock applied for in this application. Such authority should not be construed, however, as an approval of the total expenditures of \$22,987,541.02.

The company has made no arrangements to sell its stock but proposes to offer the \$2,000,000.00 of stock to its employees, exclusive of its executive officers, in units consisting of one share of preferred stock and one share of common stock at a price equal to the total par value of the shares composing the unit, no stock to be sold except in units, and payment to be made only in monthly installments under contracts extending over a period of about three years. The testimony herein indicates that under the company's plans the employees will have the right to cancel their subscriptions, in which case the total amounts paid in will be returned, with no interest, however, for the first twelve installments, but with interest at the rate of three percent per annum on the succeeding twelve installments and at the rate of four percent on all the remaining installments. In the event of death, resignation, discharge or pension, installments will be returned with interest at six percent. The terms and conditions under which the company intends to sell the \$2,000,000. of stock are more fully set forth in applicant's Exhibit Number One filed in this procedure.

O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell stock, 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 paid or provided through the issue of such stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be, and it is hereby, authorized to issue, sell and deliver on or before December 31, 1930 at not less than the par value thereof, \$1,000,000.00 of its six percent cumulative preferred stock and \$1,000,000.00 of its common stock and to use the proceeds to reimburse its treasury in part on account of capital expenditures of \$6,631,162.88 made prior to August 31, 1926 and/or to finance in part such cost of the extensions, additions, betterments and improvements to its facilities and to those of Mt. Shasta Power Corporation described in Exhibits "B", "C", "D" and "E" filed in Application No. 13291 as is properly chargeable to fixed capital accounts under the Uniform Systems of Accounts prescribed or adopted by this Commission.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof and, further, that applicant shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the pro-

ceeds 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, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 23^d day of December, 1926.

H. B. Brundage

C. L. Weaver

Emmett

Thos. S. Houtter

Commissioners.