

Decision No. 18553

**ORIGINAL**

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 it to issue )  
and pledge its general and refund- )  
ing mortgage gold bonds to the par )  
value of one million (\$1,000,000) )  
dollars. )

Application No. 1280.

BY THE COMMISSION:

SECOND SUPPLEMENTAL OPINION AND ORDER

In its second supplemental petition filed in the above entitled matter on May 26, 1927, Pacific Gas and Electric Company asks the Railroad Commission to make an order permitting it to sell, at not less than 99 percent of face value plus accrued interest, \$975,000.00 of its general and refunding mortgage five percent bonds, heretofore issued under authority granted by Decision No. 1756, dated August 27, 1914, and to use the proceeds for general corporate purposes, and/or to deposit and hypothecate said bonds with the trustees under the mortgages or deeds of trust which constituted liens upon the properties comprising the Stockton water system.

In the original petition in this proceeding, filed August 14, 1914, Pacific Gas and Electric Company asked permission

to issue \$1,000,000.00 of its general and refunding mortgage bonds and to pledge them to secure either corporate or individual sureties on two bonds which it desired to file in two suits pending in the District Court of the United States for the Northern District of California, one of the suits, Pacific Gas and Electric Company vs. City and County of San Francisco, Equity No. 27, having been brought to enjoin the enforcement of Ordinance No. 2348 of the Board of Supervisors of the City and County of San Francisco establishing gas rates for the year ending June 30, 1914, and the other, bearing the same title, but numbered Equity No. 32, having been brought to enjoin the enforcement of Ordinance No. 2349 of the Board of Supervisors of the City and County of San Francisco establishing electric rates for the same period.

In making this request the company reported that it was entitled to issue the \$1,000,000.00 of bonds under the terms of the trust indenture securing the payment of the general and refunding mortgage bonds and it agreed that during the time the \$1,000,000.00 of bonds were outstanding it would not reimburse its treasury with proceeds from the sale of bonds and stock in an amount equal to the \$1,000,000.00. The request to issue the bonds was thus predicated on capital expenditures made up to that time and not reimbursed through the issue of securities.

By Decision No. 1756, dated August 27, 1914, the Commission authorized applicant to issue the \$1,000,000.00 of bonds. It appears that such bonds actually were issued but that only \$875,000.00 were pledged for the purposes indicated herein. Of the remaining bonds \$25,000.00 were sold, under supplemental permission received by the company, and \$100,000.00 have remained in

applicant's treasury. It is now reported that the parties in the two suits referred to herein have composed their differences and that they will cause judgment of dismissal to be entered. The United States Fidelity and Guaranty Company, surety under the indemnity bonds, has agreed to the release of the \$875,000.00 of bonds, which are on deposit with the American Trust Company, and the American Trust Company will reassign and transfer the bonds to applicant.

Upon reacquiring the bonds applicant proposes to sell them, together with the \$100,000.00 of bonds in its treasury and to use the proceeds for general corporate purposes. As an alternative, however, it requests permission to deposit and hypothecate the bonds with the trustees under the mortgages or deeds of trust which constituted liens upon the Stockton water system, formerly belonging to it, for the purpose of obtaining the release from American Trust Company, as trustee under the mortgage executed by Blue Lakes Water Company, dated March 15, 1893, of moneys now on deposit which were received from the sale of the Stockton Water System under the authority contained in Decision No. 18037, as modified.

We have given consideration to these requests and are of the opinion that a further hearing is not necessary and that the supplemental petition should be granted, as provided herein, therefore,

IT IS HEREBY ORDERED that the order in Decision No. 1756, dated August 27, 1914, be, and it hereby is, modified so as to permit Pacific Gas and Electric Company to sell, on or before December 31, 1927, at not less than 99 percent of face value plus accrued interest, \$975,000.00 of the general and refunding mortgage bonds authorized to be issued by said decision, and to use the proceeds for general corporate purposes, and/or to deposit and

hypothecate said bonds with the trustees under the mortgages or deeds of trust which constituted liens upon the Stockton water system for the purpose of obtaining the release of moneys received through the sale of the Stockton water system.

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 1756, dated August 27, 1914, shall remain in full force and effect except as modified by this order.

DATED at San Francisco, California, this 27<sup>th</sup>  
day of June, 1927.

Edward  
H. B. Bondage  
Cheney  
Leon

Commissioners.