

LRA

Decision No. 20244

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 shares of)
its preferred stock of the aggregate)
amount of \$10,000,000.00; to reim-)
burse its treasury for capital ex-)
penditures; and to finance the con-)
struction of additions, extensions)
and improvements to its facilities)
and to the facilities of Mt. Shasta)
Power Corporation in the manner set)
forth herein.)

ORIGINAL

Application No. 14956.

C. P. Cutten and W. B. Bosley, for applicant.

BY THE COMMISSION:

OPINION

In the above entitled matter the Railroad Commission is asked to make an order authorizing Pacific Gas and Electric Company to issue, sell and deliver 400,000 shares of its five and one half percent first preferred stock of the par value of \$25.00 and of the aggregate par value of \$10,000,000.00 and to use the proceeds together with the proceeds from the sale of preferred and common stock heretofore authorized to be issued to reimburse its treasury and/or to pay in part the cost of additions, betterments, extensions and improvements to its facilities and to those of Mt. Shasta Power Corporation.

The application shows that recently applicant has amended its Articles of Incorporation which now, as amended, provide for a total authorized capital stock of \$400,000,000.00, consisting of 16,000,000 shares of the par value of \$25.00 each, divided equally into common and first preferred stock. Of the first preferred stock 5,600,000 shares, of the total par value of \$140,000,000.00, are designated as six percent first preferred stock, 1,600,000 shares, of the total par value of \$40,000,000.00, are designated as five and one half percent first preferred stock, and 800,000 shares, of the total par value of \$20,000,000.00, are designated as five percent first preferred stock. There is no distinction between the three classes of preferred stock except the difference in the annual rate of dividends.

At present the company has outstanding only shares of its common stock and its six percent first preferred stock, Exhibit "H" attached to the application showing issued and held by the public, as of May 31, 1928, \$70,813,348.33 of the common stock and \$77,633,731.91 of the six percent first preferred. Applicant believes that it now can dispose of its five and one half percent preferred stock and it asks permission to sell the 400,000 shares covered by this application at not less than \$24.50 a share.

The company reports the necessity of issuing additional stock to reimburse its treasury on account of capital expenditures made prior to May 31, 1928 and to finance in part estimated costs for the balance of the year 1928. For these purposes it also seeks permission to use the proceeds to be received from the sale of stock heretofore authorized by the Commission.

In a former proceeding, Application No. 13940, filed on July 16, 1927, the company reported its unreimbursed capital expenditures and those of Mt. Shasta Power Corporation at May 31,

1927, at \$470,823.57. In the present matter it reports that from June 1, 1927 to May 31, 1928, it expended the further sum of \$11,390,621.82 for construction purposes; the sum of \$37,605,414.72 in acquiring the stock and properties of other companies, under authority granted from the Commission; the sum of \$13,226,500.00 in paying certain bonds outstanding and the sum of \$34,926.76 in making advances to Mt. Shasta Power Corporation. The five items aggregate \$62,728,286.87 from which applicant deducts the sum of \$55,783,862.88 received during the period through the issue and sale of stock and bonds, leaving a balance of \$6,944,423.99 which it alleges represents unreimbursed capital expenditures at May 31, 1928.

The several sums of money required by applicant to reimburse its treasury for capital expenditures made up to May 31, 1928 and for capital expenditures since May 31, 1928, aggregate \$15,412,685.53 and consist of the following:-

Unreimbursed capital expenditures at May 31, 1928, of Pacific Gas and Electric Company and Mt. Shasta Power Corporation (Exhibit J)	\$6,944,423.99
Unexpended balance of capital expenditures authorized at May 31, 1928 by Pacific Gas and Electric Company (Exhibit K).	4,961,230.91
Estimated cost of new construction, Pacific Gas and Electric Company, for remainder of year 1928 (Exhibit L)	3,500,000.00
Unexpended balance of capital expenditures authorized at May 31, 1928, by Mt. Shasta Power Corporation (Exhibit M)	7,030.63
Total	<u>\$15,412,685.53</u>

To meet these expenditures, in part, the company reports that it will receive the following:-

Receivable from sale of first preferred stock under orders in:-

Application No. 12261	\$15,00	
Application No. 12413	14,00	
Application No. 12714	5,654.00	
Application No. 13440	38,041.72	
Application No. 13350	<u>692,387.50</u>	\$736,112.22

Reveivable from sale of common stock under orders in:-

Application No. 13350	692,387.50	
Application No. 14286	<u>31,011.44</u>	<u>723,398.94</u>
Total		<u>\$1,459,511.16</u>

Deducting the \$1,459,511.16 from the \$15,412,685.53 leaves a balance of \$13,953,174.37 which applicant reports represents the excess of the expenditures over the total amounts receivable from the sale of securities heretofore authorized, so that the issue and sale of the additional \$10,000,000.00 of stock seems necessary. Though the order herein will authorize applicant to issue the \$10,000,000.00 of preferred stock, such authority should not be construed as approving the amounts which applicant has or intends to charge to fixed capital accounts to represent interest during construction.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue stock and to use stock proceeds, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purposes specified herein

and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that -

1. Pacific Gas and Electric Company may issue, sell and deliver, on or before July 1, 1929, at not less than \$24.50 a share, 400,000 shares of its five and one half percent first preferred stock of the par value of \$25.00 each and of the aggregate par value of \$10,000,000.00.
2. Pacific Gas and Electric Company may use the proceeds to be received from the sale of the stock herein authorized and the proceeds received or to be received from the sale of the six percent first preferred stock and common stock authorized to be issued by the Commission in the applications referred to in the foregoing opinion, for the purpose of reimbursing its treasury in the sum of \$6,944,423.99 and/or to finance in part the cost of additions, betterments, extensions and improvements to its facilities and to those of Mt. Shasta Power Corporation amounting in the sum of \$8,488,261.54, as shown in Exhibits "J", "K", "L" and "M", provided that only such expenditures as are properly chargeable to fixed capital accounts under the uniform systems of accounts prescribed or adopted by this Commission may be financed with such proceeds.
3. The authority herein granted shall become effective upon the date hereof.
4. Pacific Gas and Electric Company shall keep such record of the issue, sale and delivery of the stock 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 insofar as applicable, is made a part of this order.

5. The orders heretofore made in Application Nos. 12261, 12413, 12714, 13350, 13440 and 14286 shall remain in full force and effect, except as modified by this order.

DATED at San Francisco, California, this 21st day of September, 1928.

Leon C. Kelly
Commissioner
James D. Smith
Commissioner

Commissioners.