

IRA

Decision No. 28712

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 common capital stock in the)
manner, to the amount and for the)
purposes set forth herein; to re-)
imburse its treasury for capital)
expenditures and to finance the)
construction of additions, better-)
ments and improvements to its)
facilities and the facilities of)
the Mt. Shasta Power Corporation in)
the manner herein set forth.)

ORIGINAL

Application No. 15281.

C. P. Cutten, for Pacific Gas and Electric Company.

Edward P. E. Troy, in propria persona.

BY THE COMMISSION:

OPINION

In this proceeding the Railroad Commission is asked to enter its order authorizing Pacific Gas and Electric Company to issue, sell and deliver at par 284,450 shares of its common capital stock of the par value of \$25.00 per share, and of the aggregate par value of \$7,111,250.00. The Commission is also asked to authorize the Pacific Gas and Electric Company to reimburse its treasury in the sum of \$11,869,083.78 and/or to pay in part the cost of additions, extensions, betterments and improvements to the company's facilities and to the facilities of Mt. Shasta Power Corporation as

shown in Exhibits "B", "C" and "D", and amounting to the sum of \$8,257,103.32 by using the proceeds obtained from the sale of the aforesaid 284,450 shares of stock or from the sale of stock, the issue of which the Commission has heretofore authorized.

The Pacific Gas and Electric Company has an authorized stock issue of \$400,000,000.00 divided into \$200,000,000.00 of first preferred and \$200,000,000.00 of common. The company as of October 31, 1928, reports outstanding in the hands of the public \$77,732,456.92 of its first preferred stock and \$71,012,440.00 of its common stock. In addition the company had subscriptions for \$1,170,600.00 of its first preferred stock and \$1,040,550.00 of its common stock.

In Exhibit "A" attached to the petition the company reports its unreimbursed capital expenditures as of October 31, 1928 at \$11,869,083.78. This amount is arrived at in the following manner:

Unreimbursed capital expenditures of Pacific Gas and Electric Company and Mt. Shasta Power Corporation at May 31, 1928, as per Exhibit "J" in Application No. 14956	\$6,944,423.99
Construction expenditures from June 1, 1928 to October 31, 1928.	5,205,857.74
Pacific Gas and Electric Company	\$5,149,436.81
Mt. Shasta Power Corporation	56,420.93
Purchase price of 430 shares of the common stock and 74 shares of the 7% preferred stock of Western States Gas & Electric Company of Delaware	24,903.37
Purchase of 68 shares of 7% preferred stock of Western States Gas & Electric Company of Delaware	6,800.00
Total	<u>\$12,181,985.10</u>
LESS:	
Cash received from the sale of stock, the issue of which was heretofore authorized by the Commission	901.32 <u>312,072.08</u> <i>Hem</i>
Balance	<u>\$11,869,083.78</u>

In Exhibit "B" applicant reports the unexpended balance of capital expenditures authorized as of October 31, 1928, at \$4,744,782.11. In Exhibit "C" the cost of new construction of the Pacific Gas and Electric Company arising out of the development of the company's business and the addition of new consumers during the remainder of 1928 and the first quarter of the year 1929 is reported at \$3,500,000.00, while in Exhibit "D" the unexpended balance of capital expenditures authorized as of October 31, 1928, by the Mt. Shasta Power Corporation is reported at \$12,321.21. The unreimbursed capital expenditures plus the estimated construction expenditures aggregate \$20,126,187.10. Applicant reports that there is due to it on account of subscriptions for capital stock sold, but not yet issued, the sum of \$1,059,364.19 which, if deducted from the \$20,126,187.10, leaves a balance of \$19,066,822.91. By Decision No. 20244 in Application No. 14956 the Commission authorized the company to issue \$10,000,000.00 of five and one half percent first preferred stock. None of this was sold October 31, 1928. It appears that the moneys which the company will realize from the sale of stock heretofore authorized will be insufficient to finance the company's actual or estimated construction expenditures referred to herein.

Applicant intends to offer the \$7,111,250.00 par value (284,450 shares) of stock, if authorized by the Commission, to its common stockholders in proportion of one share of such additional common stock for each ten shares of common stock of the par value of \$25.00 each owned by each of said common stockholders. The company is paying dividends at the rate of \$2.00 per share on

its common stock. It is urged that we should continue to permit the company to issue its common stock at par regardless of what the market price of such stock might be. We do not agree with this general conclusion for the reason that we believe that the public has an interest in the price which the company receives for its stock. However, the relation between applicant's rate base, as disclosed by previous decisions of the Commission, and reports filed by the applicant, and its outstanding securities, is such as to warrant the granting of this application. It should be understood that if the Commission is hereafter called upon to fix applicant's rates or any of them, it will not regard the dividends paid on common stock issued by applicant at par when the market value of such stock is substantially above par, as representing the cost of money obtained through the issue of such stock.

ORDER

Pacific Gas and Electric Company having asked permission to issue \$7,111,250.00 par value of its common capital stock, 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 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 expenses or to income, therefore

IT IS HEREBY ORDERED, that the Pacific Gas and Electric Company be, and it is hereby, authorized to issue and sell to its stockholders and none other, on or before December 31, 1929, at not less than par \$7,111,250.00 par value of its common capital stock.

IT IS HEREBY FURTHER ORDERED, that the Pacific Gas and Electric Company may use the proceeds obtained from the sale of the aforesaid stock together with the proceeds received subsequent to October 31, 1928, from the sale of the stock, the issue of which is authorized by Decision No. 16473 in Application No. 12714, Decision No. 17906 in Application 13440, Decision Nos. 17801 and 18103 in Application No. 13350, Decision No. 20244 in Application No. 14956 for the purpose of reimbursing its treasury in the sum of \$11,869,083.78 and/or to pay in part the cost of additions, extensions, betterments and improvements to its facilities and to those of the Mt. Shasta Power Corporation shown in Exhibits "B", "C" and "D" provided that only such cost as is properly chargeable to fixed capital accounts under the Uniform System of Accounts prescribed or adopted by the Commission may be paid through the use of said stock proceeds.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted will become effective upon the date hereof and that Pacific Gas and Electric Company shall file reports with the Commission as required by the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 23rd
day of January, 1929.

Thomas D. Lott
Chairman
Leon C. Williams
W. H. Cunniff
Commissioners.