

LBM

Decision No. 21547.

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 applicant to
 issue, sell and deliver, shares of
 its common capital stock in the man-
 ner, to the amount, and for the pur-
 poses set forth herein; to reimburse
 its treasury for capital expenditures
 and to finance the construction of
 additions, betterments and improve-
 ments to its facilities and to the
 facilities of the Mt. Shasta Power
 Corporation in the manner herein set
 forth.

Application No. 15935

C . P. Cutten, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Pacific Gas and Electric Company asks permission to issue, sell and deliver, at, and for the par value thereof, 312,815 shares of its common capital stock of the par value of \$25.00 per share, and of the aggregate par value of \$7,820,375.00, and use the proceeds, together with proceeds to be received from subscriptions to its capital stock, or to be received from the issue and sale of stock heretofore authorized for the purposes hereinafter stated.

Pacific Gas and Electric Company has an authorized stock issue of \$400,000,000.00 divided into \$200,000,000.00 of common and \$200,000,000.00 of first preferred stock. As of June 30, 1929 the

company reports stock outstanding as follows:-

First preferred stock six percent	\$77,863,006.91	
First preferred stock, five and one half percent.....	<u>4,086,500.00</u>	
Total first preferred stock.....		\$ 81,949,506.91
Common stock:		
In the hands of the public.....	\$77,920,315.00	
Owned by subsidiary company....	<u>48,433.33</u>	<u>77,968,748.33</u>
Total outstanding.....		<u>\$159,918,255.24</u>

In addition, the company has subscriptions for the following amount of stock:-

First preferred six percent.....	\$ 994,460.00	
First preferred five and one-half percent.....	930,100.00	
Common stock.....	<u>1,275,400.00</u>	
Total.....		<u>\$ 3,199,960.00</u>

The \$3,199,960.00 par value of stock has not been issued because the subscribers therefor have not completed their payments. In addition, applicant on June 30, 1929, had in its treasury, neither sold nor subscribed for, \$4,983,400.00 of five and one-half percent first preferred stock, the issue and sale of which the Commission authorized by Decision No. 20244 in Application No. 14956. The amount due on stock sold but not yet issued on May 31, 1929 was reported at \$1,213,031.13 which, added to the \$4,983,400.00 par value of five and one half percent preferred stock not yet sold, makes a total of \$6,196,431.13, which the company may receive after May 31, 1929 for construction purposes.

In its Exhibit "E" applicant reports that it has incurred an expense of \$12,972,236.24 for the construction and acquisition of properties and the payment of bonds, which expense has not been financed through the use of proceeds from the sale of stock or bonds. The \$12,972,236.40 includes \$40,000.00 paid for the stock of Oakdale Gas Company. We don't believe that we should in this proceeding permit the financing of that purchase. Its authorized or estimated construction expenditures from May 31, 1929 to the end of 1930 are reported as follows:-

Unexpended balances of capital expenditures authorized at May 31, 1929, reported in monthly statement to the Railroad Commission for May, 1929, of Pacific Gas and Electric Company (Exhibit "C")	\$10,510,868.31
Authorized major construction projects (Exhibit "D")	64,882,709.33
Estimated cost of new construction arising out of the development of the company's business and the addition of new consumers during the remainder of the year 1929 and the calendar year 1930 (Exhibit "E")	8,650,000.00
Unexpended balances of capital expenditures authorized at May 31, 1929, reported in monthly statement to the Railroad Commission for May, 1929, of Mt. Shasta Power Corporation (Exhibit "F")	<u>10,509.94</u>
Total.....	<u>\$84,054,087.58</u>

The \$64,882,709.33 is segregated in Exhibit "D" as follows:-

ELECTRIC DEPARTMENT:

MOKELUMNE PROJECT

<u>G.M.No.</u>	<u>Description of Projects</u>	<u>Amount Authorized</u>	<u>Expenditures made prior to May 31, 1929</u>	<u>Unexpended Balance</u>
26900	Salt Springs Dam and First Unit Salt Springs Powerhouse	\$ 9,000,000.	\$3,172,093.28	\$ 5,827,906.72
30070	Canals and Waterways, Salt Springs to Tiger Creek	4,460,000.	60,594.50	4,399,405.50
30080	Tiger Creek Power House	4,170,000.	22,695.93	4,147,304.07
26901	Mokelumne Transmission Line	4,260,000.	25,478.99	4,234,521.01
37530	Changes at Newark for Salt Springs P.H., Bear Riv. P.H. and Tiger Creek Powerhouse	1,880,000.	56.75	1,879,943.25
37541	Tiger Creek Afterbay	350,000.	-	350,000.00
-	Conduits below Tiger Creek West Point P.H. & Electric P.H. Reconstruction.....	8,530,000.	-	8,530,000.00

G.M.No.	Description of Projects	Amount Authorized	Expenditures made prior to May 31, 1929	Unexpended Balance
	Bear River Reservoir, Conduit and Second Unit			
	Salt Springs Powerhouse	\$ 4,580,000.00	\$-----	\$ 4,580,000.00
-	Changes at Newark for West Point Powerhouse, and Electra Powerhouse Reconstruction.....	266,000.00	-	266,000.00
	TOTAL MOKELUMNE PROJECT	\$37,496,000.00	\$3,280,919.45	\$34,215,080.55
STATION "A" SAN FRANCISCO				
36200	Reconstruction of two units at Station "A"	\$ 6,620,000.00	\$ 74,097.17	\$ 6,545,902.83
BEAR RIVER CANAL				
	Enlargement of Bear River Canal	\$ 865,000.00	\$ -	\$ 865,000.00
	TOTAL ELECTRIC DEPARTMENT	\$44,981,000.00	\$3,355,016.62	\$41,625,983.38
GAS DEPARTMENT				
NATURAL GAS PROJECTS				
35300	Transmission main-Buttonwillow to Milpitas.....	\$ 5,948,229.00	\$3,788,163.45	\$ 2,160,065.55
35350	Transmission main-Milpitas to San Francisco.....	1,262,078.00	1,554,648.74	-
35900	Transmission main-Milpitas to Oakland	813,635.00	26,466.81	787,168.19
35611	20" Main-Station "B" to 50th Ave., Oakland	275,280.00	70,612.64	204,667.36
36244	Natural Gas Holder-Oakland	648,573.00	23,326.61	625,246.39
36708	Natural gas holder-San Francisco	649,350.00	167,043.24	482,306.86
36998	Transmission main-Hollister to Monterey	454,430.60	-	454,430.60
37013	Main-Potrero to Station "A", San Francisco	4,718.00	-	4,718.00
37100	Main-From Plants of Texas Company to Compressor Sta.-Kettleman Hills	109,854.00	-	109,854.00
37151	Main-Station "B" Oakland to Contra Costa County	609,390.00	-	609,390.00
37203	Main Station "B" Oakland to Station "C" Oakland	9,879.00	-	9,879.00
36400	Compressor Station-Kettleman Hills	900,000.00	-	900,000.00
36600	Piping for accumulating Natural Gas at field.....	600,000.00	-	600,000.00
-	22" Main-Kettleman to Vernalis	3,852,300.00	-	3,852,300.00
-	20" Main-Vernalis to San Pablo.....	1,897,000.00	-	1,897,000.00
-	20" Main-Vernalis to Milpitas	1,459,200.00	-	1,459,200.00
-	16" Main-Vernalis to Stockton	770,500.00	-	770,500.00
-	12" Main-Stockton to Sacramento.....	1,050,600.00	-	1,050,600.00
-	12" Main-Crockett to Vallejo.....	437,800.00	-	437,800.00

G.M.No.	Description of Projects	Amount Authorized	Expenditures made prior to May 31, 1929	Unexpended Balance
	12" Main-Vallejo to San Rafael.....	\$ 437,800.00	\$-----	\$437,800.00
-	Telephone line-Panoche Junction to San Pablo	175,100.00	-	175,100.00
-	Rights of Way-All mains	583,700.00	-	583,700.00
-	Compressor Plant near Guistine	1,459,200.00	-	1,459,200.00
-	Compressor Plant Near Los Muertos.....	1,459,200.00	-	1,459,200.00
-	Additions to Kettleman Compressor Plant	2,042,900.00	-	2,042,900.00
-	Field Compressor Plant at Buttonwillow	583,700.00	-	583,700.00
-	Conversion of San Jose Gas Plant	100,000.00	-	100,000.00
TOTAL NATURAL GAS PROJECTS		\$28,594,416.60	\$5,630,261.39	\$23,256,725.95
GRAND TOTAL ELECTRIC AND NATURAL GAS PROJECTS.....		\$73,575,416.60	\$8,985,278.01	\$64,882,709.33

While construction work has not actually been undertaken on all the projects mentioned in Exhibits "C" "D" "E" and "F" the unexpended balances on work started plus the amount actually expended to May 31, 1929, but not financed through the issue of stock or bonds is much in excess of the proceeds which the company will receive from the issue and sale of the stock heretofore authorized and the issue and sale of the stock authorized by the order herein. Because of this situation it does not seem necessary that we should make a detailed examination of the company's proposed construction expenditures. The order herein will provide that applicant may finance through the use of stock proceeds only such expenditures as are properly chargeable to fixed capital accounts or road and equipment accounts, as provided in the Uniform System of Accounts adopted or prescribed by the Railroad Commission. Applicant proposes to offer the \$7,820,375.00 par value (312,815 shares) of common stock to its common stockholders and to permit such stockholders to purchase additional shares of its common stock

in proportion of one (1) share of such additional common stock for each ten (10) shares of said common stock of the par value of \$25.00 each, owned by each of said stockholders. 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.

O R D E R

Pacific Gas and Electric Company, having asked permission to issue and sell \$7,820,375.00 par value of its common capital stock at par, and the Commission having considered the request of the company, and being of the opinion that this is a matter in which a public hearing is not necessary; and 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, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Pacific Gas and Electric Company may, on or before February 1, 1930, issue, sell and deliver to its stockholders at not less than par, \$7,820,375.00 par value of its common capital stock.

2. Pacific Gas and Electric Company may use the proceeds obtained from the sale of the aforesaid \$7,820,375.00 of stock, together with the proceeds received subsequent to May 31, 1929 from the sale of the stock, the issue of which is authorized by Decision No. 17801, and Decision No. 18103, in Application No. 13350; by Decision No. 20244 in Application No. 14956; and by Decision No. 20712 in Application No. 15281; for the purpose of reimbursing its treasury in the sum of \$12,932,236.24 and/or to pay in part the cost of additions, extensions, betterments and improvements to applicant's facilities and to the facilities of Mt. Shasta Power

Corporation, as shown in Exhibits "C", "D", "E" and "F"; provided that only such cost and/or expenditures as are properly chargeable to fixed capital accounts or to road and equipment accounts as provided in the Uniform System of Accounts prescribed or adopted by the Commission, may be paid through the use of such stock proceeds.

3. The authority herein granted will become effective ten days after the date hereof.

4. 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 12th day of September, 1929.

Thos B. Larkin
C. A. Seamy
Leon Whiteley
W. J. Carr

Commissioners.