

Decision No. 23281.

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 manner,)
to the amount, and for the purposes)
set forth herein.)

Application No. 17098

C. P. Cutton, for applicant.

BY THE COMMISSION:

O P I N I O N

Pacific Gas and Electric Company has applied to the Railroad Commission for authority to issue, sell and deliver, at par, 567,422 shares of its common capital stock of the par value of \$25.00 a share and of the aggregate par value of \$14,185,550.00 and to use the proceeds to reimburse its treasury, in part, on account of capital expenditures of \$27,478,340.99 made prior to July 31, 1930 and/or to pay in part the cost of the additions, extensions, betterments and improvements to its facilities and to the facilities of Mt. Shasta Power Corporation shown in Exhibits "C", "D" and "E" of Application No. 16941, amounting to the sum of \$44,931,381.59.

The record shows that applicant has an authorized capital stock of \$400,000,000.00 divided into 16,000,000 shares of the par value of \$25.00 each. The various classes of stock and the amounts of each outstanding in the hands of the public, are reported as follows:

CLASS OF STOCK	: AUTHORIZED	: OUTSTANDING
First preferred 6 percent stock	:\$140,000,000.00	:\$ 78,842,875.00
First preferred 5.5 percent stock	: 40,000,000.00	: 11,143,725.00
First preferred 5 percent stock	: 20,000,000.00	-
Common stock	: 200,000,000.00	: 141,855,331.67
TOTAL.....	:\$400,000,000.00	:\$231,841,931.67

In addition to the above securities \$48,433.33 of common stock is outstanding and held by San Francisco Gas and Electric Company whose outstanding stock ^{in turn} is held by applicant.

It appears that the various classes of preferred stocks are similar in all respects except as to the annual dividend rate. The holders of preferred stock are entitled to cumulative dividends at the respective rates, but no more, before any dividends may be paid on the common stock. In the case of liquidation, the holders of preferred stock are to receive par and accrued dividends before any moneys may be distributed to the holders of common stock. Dividends on the common stock for several years past have been paid at the rate of eight percent per annum.

Applicant alleges that the issue of additional stock, as set forth herein, is necessary to enable it to reimburse its treasury and to meet its 1931 capital expenditures. From Decision No. 23271 entered January 10, 1931, on Application No. 17099, which was heard concurrently with this application, it appears that applicant had made or contemplated making, expenditures during 1931 of \$72,409,722.58, as set forth in detail in Exhibits "C", "D" and "E" of Application No. 16941, and that it had avail-

able to meet such expenditures, proceeds from the sale of securities and also unsold securities heretofore authorized in the amount of \$32,293,499.42, leaving a balance of \$40,116,223.16. Deducting \$23,750,000.00 representing proceeds from the sale, at 95, of the \$25,000,000.00 of bonds authorized by said Decision No. 23271 would leave a remainder of \$16,366,223.16 of expenditures for properties, already made or estimated for 1931, against which the company has not been authorized to issue stock. Further, it appears from exhibit one, filed in this proceeding, that additional construction expenditures of \$11,568,555.23, not included in the aforesaid figure of \$16,366,223.16, are planned on applicant's properties and on the properties of subsidiary companies. Applicant intends to finance the capital expenditures of its subsidiary companies through loans to such companies.

Considerable testimony was adduced at the hearing on this application, as well as on Application No. 17099, concerning the necessity for the issue of additional securities at this time. In exhibit three it is reported that applicant had on hand on January 8, 1931 cash in the amount of \$6,325,625.00, but that with the payment of bond interest and common stock dividends during January, amounting to \$4,658,000.00, it would have a cash balance of \$1,667,625.00 available for other corporate purposes. It appears that applicant's construction expenditures are proceeding at the rate of \$3,300,000.00 monthly and further, that it is its intention, after reimbursing its treasury for capital expenditures heretofore made, to use approximately \$20,000,000.00 in the near future to pay and redeem bonds of its own and of some of its subsidiary companies.

It clearly appears to us that the issue and sale by applicant of the additional common stock at this time is necessary.

It is the company's intention to offer the \$14,185,550.00 of stock to its common stockholders at par in the proportion of one share of the additional stock for each ten shares owned by each of said stockholders. Because of existing financial conditions a subscriber will be required to pay five dollars per share at the time he subscribes for stock and the balance in four additional installments of five dollars per share each, due respectively May 11, 1931; July 11, 1931; September 11, 1931; and November 11, 1931. Any or all installments may be paid before maturity.

In this connection we wish again to place applicant upon notice that if the Commission hereafter is called upon to fix applicant's rates, or any of them, it will not regard the dividends paid on common stock issued at par when the market price is substantially above par, as representing the cost of money obtained through the issue of such stock.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to issue and sell \$14,185,550. of common capital stock at par, 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 procured or paid for through such issue and sale is reasonably required for the purposes specified herein, which 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 hereby is, authorized to issue, sell and deliver, on or before December 31, 1931, at not less than the par value thereof, 567,422 shares of its common capital stock of the aggre-

gate par value of \$14,185,550.00, and to use the proceeds to be realized through the issue and sale of such stock to reimburse its treasury on account of income used to meet capital expenditures, prior to the date hereof, and/or to pay in part the cost of additions, extensions, betterments and improvements to its facilities and to the facilities of Mt. Shasta Power Corporation shown in Exhibits "C", "D" and "E" in Application No. 16941 and in exhibit one filed in this proceeding.

The authority herein granted is subject to further conditions as follows:-

- (1) Only such expenditures as are chargeable to fixed capital accounts and road and equipment accounts under the uniform systems of accounts prescribed or adopted by this Commission may be financed with the proceeds to be received through the issue and sale of the stock herein authorized.
- (2) Applicant 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 Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
- (3) The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 13th day of January, 1931.

C. L. Stanley
W. B. Karpis
Fred G. Steiner
Commissioners.