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Decision No. 11492.

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 its common stock in the manner,)
to the extent and for the purpose)
specified herein.)

Application
Number
8543.

C.P. Cutten for Applicant.

MARTIN, Commissioner.

O P I N I O N.

The Railroad Commission is asked to make an order authorizing PACIFIC GAS AND ELECTRIC COMPANY to capitalize permanently through the issue of common stock \$693,231.00 of applicant's surplus. It is the intention of the company to issue such stock as fully paid and as a stock dividend in the manner and in accordance with the provision of the resolution of its Board of Directors filed in this proceeding and marked "Exhibit D".

Pacific Gas and Electric Company has an authorized stock issue of \$160,000,000.00, divided into \$79,900,000.00 of six per cent. first preferred, \$100,000.00 of six per cent. original preferred and \$80,000,000.00 of common. As of November 30, 1922, the company reported \$85,368,644.00 of stock outstanding and in the hands of the public. This consists of \$34,684,034.00 of common, \$50,641,010.00 of first preferred and \$43,600.00 of original preferred. In addition to \$34,684,034.00 of common stock outstanding and in the hands of the public, the company reports outstanding com-

mon stock in the amount of \$31,696,866.66 which is held by the San Francisco Gas and Electric Company and which has by contract waived its right to participate in common stock dividend. The San Francisco Gas and Electric Company is a subsidiary company of the Pacific Gas and Electric Company.

The company asks permission to issue the \$693,231.00 of common stock to capitalize permanently earnings invested in working capital. It is of record that the company's accumulated unappropriated surplus increased from \$4,152,801.07 on December 31, 1916, to \$8,246,953.71 on November 30, 1922, the increase amounting to \$4,094,152.64. This amount, according to the testimony of A.F. Hockenbeamer, second vice president and treasurer of the Pacific Gas and Electric Company, has been invested in working capital. During the period mentioned, the company has paid regularly six per cent. dividend on its first and original preferred stocks and 5 per cent. cash dividend on its common stock, except during the last three months of 1917 and during 1918, when no dividends were paid on common stock. In addition to the cash dividend on the common stock, the company in 1922 paid a stock dividend equal in amount to two per cent. on the outstanding common stock. The record shows that applicant's Board of Directors has increased the rate of dividend on the common stock to eight per cent., of which six per cent. is to be paid in cash and two per cent. in stock. During 1922, the company earned more than enough to pay eight per cent. dividend on its common stock. The representatives of the company believe that it is a good policy to pay in stock part of the dividend on the common stock for the reason that it will conserve the company's cash and amounts to selling the stock at par.

It should be understood that by granting this application the Commission does not in any way pass on the amount of the

dividend which applicant should pay on its common stock or in what manner the dividend payments should be made.

I herewith submit the following form of Order:

O R D E R.

PACIFIC GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for permission to issue \$693,231.00 par value of its common stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by applicant through the issue of such stock is reasonably required by applicant;

IT IS HEREBY ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue at not less than par \$693,231.00 of its common capital stock for the purpose of reimbursing its treasury on account of surplus earnings invested in working capital and distribute such stock pursuant to the terms of the resolution of applicant's Board of Directors filed in this proceeding and marked "Exhibit D."

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

- 1.--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 Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.
- 2.--The authority herein granted will become effective

upon the date hereof and will expire on or before
July 15, 1923.

The foregoing Opinion and Order are hereby approved
and ordered filed as the Opinion and Order of the Railroad Commission
of the State of California.

Dated at San Francisco, California, this 17th
day of January, 1923.

Clarence
Iving Martin
H. B. Dundee
Egerton Shore
John H. Whitney
Commissioners.