

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 it to issue, sell and dispose of five per cent one year gold notes to the aggregate face amount of four million dollars (\$4,000,000), to be dated December 15, 1914; to execute a trust agreement to secure the payment of said notes; to pledge its general lien bonds to the par value of five million dollars (\$5,000,000) and its general and refunding mortgage gold bonds to the par value of five million dollars (\$5,000,000) as collateral security for said gold notes; and to use the proceeds from the sale of said five per cent gold notes for the purpose of refunding an equal principal amount of its five per cent one year gold notes, dated March 25, 1914.

Application No. 1480.

C. P. Cutten, for applicant.

THELEN, Commissioner.

OPINION

This is an application by Pacific Gas and Electric Company for authority as follows:

- (1) To issue \$4,000,000 of one year 5 per cent gold notes to be dated December 15, 1914 and to mature December 15, 1915.
- (2) To execute to F. N. B. Close, of New Jersey, as trustee, a trust agreement to secure said issue of \$4,000,000 of notes.
- (3) To issue and pledge \$5,000,000 of applicant's convertible general lien bonds as collateral security for said \$4,000,000 of 5 per cent one year gold notes.
- (4) To issue and pledge \$5,000,000 of applicant's general and refunding mortgage bonds as collateral security for said \$4,000,000 5 per cent one year gold notes.

This Commission has heretofore given authority to the applicant to issue \$7,000,000 of one year gold notes, and under such authorization the applicant issued and sold an issue of \$7,000,000 of one year notes dated March 25, 1914. This Commission has heretofore also authorized applicant to sell \$12,500,000 of its first preferred stock. It was provided in these authorizations that a portion of the proceeds derived from the sale of this preferred stock should be used to discharge a portion of the \$7,000,000 of notes. At the hearing upon the application herein Pacific Gas and Electric Company offered testimony to the effect that it had sold \$8,985,200 par value of the first preferred stock authorized by this Commission and that it had collected from such sale, \$4,925,239.50. The applicant offered testimony further to the effect that it had paid off \$2,897,000 of said \$7,000,000 of one year notes heretofore authorized by this Commission, and that it had available funds with which it proposed to pay off an additional amount so that there should remain outstanding but \$4,000,000 of the \$7,000,000 of notes heretofore authorized.

As security for the aforementioned \$7,000,000 of one year gold notes, the applicant had been authorized to pledge \$5,000,000 of its convertible general lien bonds and \$5,000,000 of its general and refunding mortgage bonds.

The applicant now proposes to put out a new issue of one year 5 per cent gold notes of the total par value of \$4,000,000 for the purpose of refunding the \$4,000,000 of one year notes which will remain as the unpaid portion of the \$7,000,000 of one year notes heretofore authorized. It is the purpose also to allow the same amount of collateral to remain as security for the \$4,000,000 of notes as was put up for the \$7,000,000 of notes.

Pacific Gas and Electric Company proposes to sell the notes for the issue of which application is herein made, to Bond

& Goodwin for 98 per cent of par value plus accrued interest. The applicant figures that the money will therefore cost it approximately 7-1/3 per cent. Applicant's attention was called to the fact that the amount of collateral seemed excessive, but applicant explained this on the ground that the \$5,000,000 of convertible general lien bonds would subsequently be canceled and were to be used as collateral because of the desire that they be placed in escrow until canceled. It is the intention of the applicant to pay off a portion of these \$4,000,000 of notes through further funds received through the sale of its first preferred stock.

The notes in question are to be issued under a trust agreement marked Exhibit "A", between the Pacific Gas and Electric Company and F. N. B. Close, of New Jersey, Vice President of Bankers Trust Company, trustee, dated December 15, 1914.

Under the trust agreement applicant is permitted to issue notes not in excess of \$4,000,000. These notes, bearing 5 per cent interest per annum, payable ~~January~~ ^{June} 15 and December 15, are dated December 15, 1914 and mature December 15, 1915.

The payment of the notes is secured by the pledge of bonds as follows:

- \$5,000,000 of the Pacific Gas and Electric Company's general and refunding bonds, Series "A", bearing serial numbers M 25,431 to 30,430 inclusive; also
- \$5,000,000 of the Pacific Gas and Electric Company's general lien gold bonds of Series "A" bearing serial numbers 1 to 5,000 inclusive.

The notes will be of the denomination of \$1,000 each and will be numbered from 1 to 4,000 consecutively.

The company retains the privilege of redeeming any or all of the notes at any time after giving fifteen days notice at not more than 100½ per cent.

Under the trust agreement the Pacific Gas and Electric Company is not permitted to issue any of the notes until such

time as it shall have redeemed or retired \$3,000,000 of the \$7,000,000 note issue secured by a trust agreement dated March 25, 1914.

The company agrees that so long as any of the notes secured by this agreement are outstanding it will not issue any of the general lien bonds under its general lien mortgage in addition to the \$5,000,000 general lien bonds Series "A" above referred to, and will not issue any of the general and refunding bonds except in accordance with the terms of the deed of trust securing the same.

The pledged bonds shall be deposited with the Bankers Trust Company, which shall hold them subject to the order of the Trustee.

The general and refunding bonds may be released by the trustee upon the deposit by the Pacific Gas and Electric Company of cash equal to 85 per cent of the par value of the bonds withdrawn.

Under the trust agreement the trustee may and upon the request of 25 per cent of the holders in amount of the notes outstanding shall proceed to convert the trust estate into money if any one of the following events happen:

- (a) The appointment of a receiver or receivers of the Pacific Gas and Electric Company.
- (b) Failure to pay interest on any of the notes when due.
- (c) Failure to pay the principal on any of the notes when the same shall have become due.
- (d) Failure to pay the principal or interest on any of the old notes or any of the refunding bonds or any of the general lien bonds or any of the obligations called in the general and refunding mortgage "old obligations", or any part thereof.

- (e) Failure to comply within thirty days after notice with the covenants and conditions imposed upon the Pacific Gas and Electric Company by the deeds of trust securing the general and refunding bonds or the general lien bonds.
- (f) Failure to comply within thirty days after notice with the terms and conditions of this trust agreement.

I believe that this application should be granted and submit the following form of order:

O R D E R

Pacific Gas and Electric Company having applied to this Commission for authority as follows:

- (1) To issue \$4,000,000 of one year 5 per cent gold notes to be dated December 15, 1914 and to mature December 15, 1915.
- (2) To execute to F. N. B. Close, of New Jersey, as trustee, a trust agreement to secure said issue of \$4,000,000 of notes.
- (3) To issue and pledge \$5,000,000 of applicant's convertible general lien bonds as collateral security for said \$4,000,000 of 5 per cent one year gold notes.
- (4) To issue and pledge \$5,000,000 of applicant's general and refunding mortgage bonds as collateral security for said \$4,000,000 of 5 per cent one year gold notes.

And a hearing having been held and it appearing that the purposes for which applicant proposes to issue said \$4,000,000 of one year 5 per cent gold notes are not reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be granted authority and it is hereby granted authority as follows:

(1) To issue and sell \$4,000,000 of its 5 per cent one year gold notes, dated December 15, 1914.

(2) To execute a trust agreement with F. N. B. Close, of New Jersey, trustee, to secure said issue of \$4,000,000 of notes, said trust agreement to be substantially in the form of a draft submitted by the applicant in connection with this application and marked Exhibit "A", to which reference is hereby made.

(3) To issue and pledge \$5,000,000 of its convertible general lien bonds (Series "A", numbered 1 to 5,000 inclusive) as collateral security for said \$4,000,000 of said 5 per cent one year gold notes.

(4) To issue and pledge \$5,000,000 of its general and refunding mortgage gold bonds (Series "A", numbered M 25,431 to 30,430 inclusive) as collateral security for said issue of \$4,000,000 5 per cent one year gold notes.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) The \$4,000,000 of one year 5 per cent gold notes herein authorized shall be sold so as to net the applicant not less than 98 per cent of the par value thereof plus accrued interest thereon.

(2) The proceeds derived from the sale of said \$4,000,000 of 5 per cent one year gold notes shall be used for the purpose of refunding or discharging \$4,000,000 of applicant's indebtedness, said indebtedness being the unpaid portion of an issue of \$7,000,000 of applicant's one year notes, dated March 25, 1914.

(3) The \$5,000,000 of convertible general lien bonds herein authorized to be pledged as collateral security shall only be used for the purpose specified and shall thereafter be returned to applicant's treasury and canceled.

(4) Pacific Gas and Electric Company shall keep separate, true, and accurate accounts showing the receipt and applica-

tion in detail of the proceeds of the sale of the notes hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted shall apply to such notes as shall have been issued and such bonds as shall have been pledged on or before June 30, 1915.

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 20th day of January, 1915.

Masc. Thelen
H. J. Ireland
Ray G. ...

Commissioners.