

Pacific Gas and Electric Company

443 Sutter Street

San Francisco, California

John A. Britton

Vice-President & General Manager

June
thirtieth
1916.

Honorable Railroad Commission of the
State of California,
833 Market Street, San Francisco.

Gentlemen:-

Referring to the several conferences had with your honorable body looking to a modification of your Decision #3227 of April 4, 1916, in the matter of our application for authority for the capitalization of a portion of its surplus earnings paid into the sinking funds provided for in the several mortgages upon this Company's properties.

This Company, as evidenced by its past record, being in accord with the opinion of the Commission, that it is desirable for the protection of its bondholders and stockholders that a reasonable portion of its surplus earnings should, from year to year, be retained and used as a part of its capital assets, agrees with the Commission in continuation of its policy of conserving its assets that, it will, during the seven years beginning January 1, 1916, and ending December 31, 1922, set aside out of its surplus income and utilize for the purpose aforesaid, the total sum of Seven Million (\$7,000,000) Dollars in installments which, during the year 1916, shall be Eight Hundred Thousand (\$800,000) Dollars, during each of the years 1917, 1918, 1919, 1920 and 1921 the sum of One Million (\$1,000,000) Dollars,

*Let. attached to
original decision
as per m. T. T.*

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6/30/16.

and during the year 1922 the sum of One Million, Two Hundred Thousand (\$1,200,000) Dollars.

As the obligatory sinking fund payments and accretions during the seven years herein mentioned will equal the total sum herein named within \$100,000, it is understood and agreed that the Company may, in any or all of those years, credit against the installment of any one year all sinking fund payments and accretions in such year, also that it may set aside in any year a larger sum than that indicated, in which event such excess payment shall operate to reduce the payments during succeeding years.

It is also to be understood, as far as this Company is concerned, that the agreement expressed in the foregoing paragraph shall not be construed as an acceptance by this Company of any finding of the value of its properties that may be contained in Decision #3227, nor of any principles of valuation therein applied or implied.

It is also to be understood, as far as this Company is concerned, that this agreement shall be without prejudice to any future determination of the value of all of the properties of this Company, including its water rights, going value, organization costs, patents or of any other items of tangible or intangible values.

It is further understood, that should the agreement herein made prove burdensome at any time in the future, this Company

Honorable Railroad Commission--#3

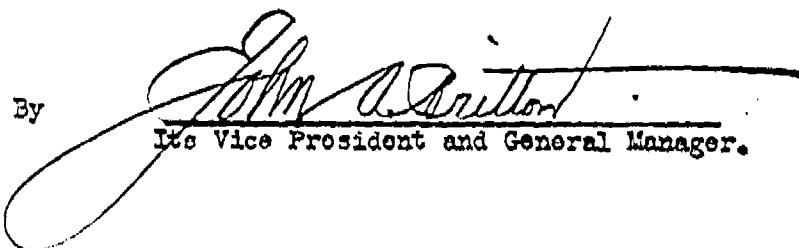
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shall have the right to apply to your honorable body for relief
therefrom.

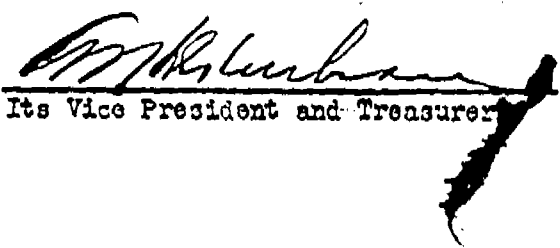
Yours very truly,

PACIFIC GAS AND ELECTRIC COMPANY

By


Its Vice President and General Manager.

By


Its Vice President and Treasurer

A. F. Hockenheimer

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
Pacific Gas and Electric Company for)
an order of the Railroad Commission)
of the State of California, authoriz-)
ing it to issue its common capital)
stock in the manner and for the pur-)
poses specified therein.)

Application No. 2056

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER

WHEREAS, this Commission did, on the 4th day of April, 1916, make an order in this proceeding denying the application, and in the opinion preceding said order urged upon applicant the policy of conserving its assets, and

WHEREAS, since the rendition of said order, informal conferences have been had between executive officers of applicant, Pacific Gas and Electric Company, and the Commission for the purpose of coming to agreement upon the course to be pursued by the company in line with the suggestions made in said opinion, and

WHEREAS, agreement has been reached and Pacific Gas and Electric Company has filed a stipulation with the Commission that for the purpose of conserving its assets for the protection of bondholders and stockholders the company will set aside out of income the sum of Seven Million Dollars (\$7,000,000) within a period of seven years from January 1, 1916, said sum to remain uncaptalized, and

Decision No. 3484

WHEREAS, this plan meets the suggestions set out in the opinion preceding the aforesaid order, and its operation will, in the judgment of the Commission make for a sounder financial condition.

NOW, THEREFORE, IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Pacific Gas and Electric Company shall, in accordance with its stipulation filed herein, set up and appropriate from income the sum of Seven Million Dollars (\$7,000,000), at the times and in the amounts as follows:

For the calendar year 1916 - - - -	\$ 800,000
For the calendar year 1917 - - - -	1,000,000
For the calendar year 1918 - - - -	1,000,000
For the calendar year 1919 - - - -	1,000,000
For the calendar year 1920 - - - -	1,000,000
For the calendar year 1921 - - - -	1,000,000
For the calendar year 1922 - - - -	1,200,000;

Provided, that the company shall have the right to apply against the sums above mentioned, payments made into sinking funds for each of the years above named:..

It is understood in the determination of this matter that so-called going concern, and water rights have not been considered, and that no prejudice shall be suffered by either said company or this Commission in a future determination of the actual values of all of the properties of the company, either tangible or intangible.

And provided, further, that nothing herein contained shall be construed as passing, directly or indirectly, upon any dividend policy of Pacific Gas and Electric Company.

It is further understood that either upon application of the company or on the initiative of this Commission this order may be revoked or modified.

Dated at San Francisco, California, this *1st* day of *July* 1916.

Max Thelen

H. D. Howard

Alfred Gordon

Edwin O. Edgerton

Frank R. Denton

Commissioners