

DECISION NO.

ORIGINAL

Decision No. 3975

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of the 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 \$2,500,000.00 face amount of its general and refunding mortgage 5% gold bonds in the manner and for purposes specified herein.

Application No. 2675

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Wm. B. Bosley and
Charles P. Cutten for
Applicant.

O P I N I O N.

THELEN, Commissioner.

In this application, Pacific Gas and Electric Company asks authority to issue and sell \$2,500,000.00 face value of its general and refunding mortgage 5% gold bonds at a price not less than 90% of their face value and accrued interest. The bonds mature January 1, 1942.

Applicant also desires authority to use the proceeds obtained from the sale of the bonds for the acquisition of such property and for the construction, completion, extension and improvement of such facilities as have been heretofore authorized by the Railroad Commission, or which may be hereafter authorized by it.

Applicant alleges that its general manager and executive committee have authorized certain expenditures for construction work to be done during the years 1916 and 1917.

including extensions, additions and betterments to applicant's existing property and facilities, all of which is set forth in detail in Exhibit "A" attached to applicant's second Supplemental Application No. 1188 and Exhibits "B" and "C" attached to applicant's First Supplemental Application No. 1994, now pending before the Railroad Commission. These include the South Yuba power development and several extensions of the electric, gas, water and railway facilities.

While applicant incorporates the aforementioned Exhibits in this application, I believe that it would facilitate matters if it would file a revised single Exhibit in connection with this proceeding, said exhibit to show the specific purposes for which the proceeds of these bonds are to be expended. In general, it appears that the proceeds are to be used to carry out applicant's construction program, which on August 31, 1916, called for the expenditure of about \$6,431,488.18. I am willing to recommend that applicant be granted authority to issue the \$2,500,000.00 of general and refunding bonds, covered by this application, the proceeds to be expended after this Commission has issued a Supplemental Order specifying the purposes for which the proceeds are to be used.

As of October 31, 1916, applicant reports its assets and liabilities as follows:

ASSETS ACCOUNTS.

| | |
|---|---------------------|
| Fixed Capital installed prior to Jan 1, 1913 | \$106,047,465.47 |
| " " " since Dec. 31, 1912-Elec. | 15,562,293.82 |
| " " " " " -Gas | 4,582,335.01 |
| " " " " " -Water | 385,981.18 |
| " " " " " -Misc. | <u>1,184,340.38</u> |
| Total Fixed Capital | \$127,762,415.86 |
| Cash and Deposits: | |
| A. Cash | 2,473,414.76 |
| B. Deposits | <u>62,767.80</u> |
| Total Cash and Deposits | 2,536,182.56 |
| Notes Receivable | 253,535.37 |
| Accounts Receivable | |
| B. Due from Consumers and Agents | 1,872,149.71 |
| C. Miscellaneous Accounts Receivable..... | <u>62,061.01</u> |
| Total Accounts Receivable | 1,934,210.72 |
| Interest and Dividends Receivable | 14,020.74 |
| Other Current Assets | 1,769,018.07 |
| Investments: | |
| C. Miscellaneous Investments | 13,967.54 |
| Total Investments | 13,967.54 |
| Materials and Supplies | 1,488,495.83 |
| Sinking Funds | 3,877,285.45 |
| Treasury Securities (\$875,000.00 Hypothecated) | 1,259,000.00 |
| Prepaid Expenses: | |
| D. Prepaid Taxes | <u>629,149.06</u> |
| Total Prepaid Expenses | 629,149.06 |
| Unamortized Discount on Securities and Expenses: | |
| A. Stocks | 3,878,831.22 |
| B. Bonds | <u>4,359,017.76</u> |
| Total Unamortized Discount on Securities and Expenses | 8,237,848.98 |
| Other Suspense (Debit) | 621.32 |
| Construction Work in Progress | <u>4,348,273.54</u> |
| TOTAL ASSETS | \$154,124,025.04 |

LIABILITY ACCOUNTS

| | | |
|---|-------------------|---------------------|
| Capital Stock | x \$89,480,707.16 | |
| LESS: Owned by System Corporations..... | 31,696,866.66 | \$57,783,840.50 |
| Funded Debt..... | | 82,257,000.00 |
| Bonds called but not redeemed | | 910.00 |
| Accounts Payable: | | |
| A. Accounts with System Corporations .. | 37,977.58 | |
| B. Audited Vouchers and Wages Unpaid... | 1,172,309.40 | |
| C. Consumers' Deposits | 366,234.91 | |
| D. Miscellaneous Accounts Payable | <u>104,569.57</u> | |
| Total Accounts Payable | | 1,681,091.46 |
| Interest Accrued | | 1,283,400.55 |
| Taxes Accrued | | 489,090.14 |
| Dividends Declared | | 352,612.54 |
| Reserve for Accrued Depreciation | | 3,018,229.33 |
| Casualty and Insurance Reserves | | 81,008.61 |
| Reserves invested in Sinking Funds | | 1,077,914.26 |
| Other Reserves from Income or Surplus: | | |
| A. Earnings in Suspense a/c of Rate Cases | 1,507,338.66 | |
| B. Bad Debt Reserve | <u>188,215.52</u> | |
| Total Other Reserves from Income or Surplus .. | | 1,695,554.18 |
| Other Suspense (Credit) | | 14,457.42 |
| Corporate Surplus (unappropriated) | | <u>4,388,916.05</u> |
| TOTAL LIABILITIES | | \$ 154,124,025.04 |

NOTE:

- x Includes stock subscribed but fully paid for amounting to \$265,900.00
- g By stipulation between the subsidiary corporations and the Pacific Gas and Electric Company, dividends are waived on proportional amounts held by the latter Company.

Pacific Gas and Electric Company for the year ended December 31, 1915, and for the ten months ended October 31, 1916, has reported revenues and expenses to this Commission as follows:

| ITEM | Year Ended Dec. 31, 1915 | Ten months ended Oct. 31, 1916 |
|--|-----------------------------|-----------------------------------|
| ELECTRIC OPERATIONS: | | |
| Revenues | \$10,124,560.89 | \$8,310,144.98 |
| Expenses | 5,505,686.43 | 4,401,187.71 |
| Net | <u>4,618,874.46</u> | <u>3,908,957.27</u> |
| GAS OPERATIONS: | | |
| Revenues | 7,560,185.33 | 6,118,436.40 |
| Expenses | 4,400,597.19 | 3,819,483.21 |
| Net | <u>3,159,588.14</u> | <u>2,298,953.19</u> |
| WATER OPERATIONS: | | |
| Revenues | 420,216.85 | 376,960.93 |
| Expenses | 208,204.24 | 196,060.66 |
| Net | <u>212,012.61</u> | <u>180,900.27</u> |
| OTHER OPERATING REVENUES-STREET RAILWAY etc., - Net | | |
| | 91,347.93 | 69,209.60 |
| TOTAL NET OPERATING REVENUE.. | <u>8,081,823.14</u> | <u>6,458,020.33</u> |
| NON OPERATING REVENUES: | | |
| Miscellaneous rent Revenue .. | 20,918.91 | 14,397.41 |
| Interest | 51,561.92 | 36,069.43 |
| Dividends | 512.40 | 396.50 |
| Sinking and reserve fund ac- cretions | 165,734.41 | 150,387.87 |
| Misc. non-operating revenues Net | <u>151,639.90</u> | <u>61,160.94</u> |
| Total Non-operating Rev. | <u>390,567.54</u> | <u>262,412.15</u> |
| GROSS CORPORATE INCOME..... | <u>8,472,190.68</u> | <u>6,720,432.48</u> |
| DEDUCTIONS: | | |
| Uncollectible Bills | 108,000.00 | 90,000.00 |
| Non-operating taxes..... | 10,034.71 | 8,421.12 |
| Interest accrued on funded debt | 3,808,507.75 | 3,224,152.81 |
| Other interest | 176,902.77 | 8,148.49 |
| Rent for conduits, poles and other supports | 4,431.33 | 2,392.95 |
| Amortization of debt discount and expense | <u>160,410.43</u> | <u>144,318.32</u> |
| TOTAL DEDUCTIONS | <u>4,259,424.33</u> | <u>3,472,647.79</u> |
| Net Income, available for dividends sinking fund etc. | <u>4,212,766.35</u> | <u>3,247,784.69</u> |

The Revenues and Expenses for 1915 as shown in the foregoing table are taken from the annual report on file with the Commission. Those for the ten months ending Oct-31, 1916, appear in Exhibit "A" attached to this Application. The Earnings statement for 1915, includes \$398,288.23, charged in excess of ordinance rates, now in litigation in the Federal Courts.

As indicated above applicant desires authority to sell the \$2,500,000.00 of bonds at not less than 90 per cent of their face value plus accrued interest. A. F. Hockenbeamer, Vice-President and Treasurer of Pacific Gas and Electric Company, is of the opinion that the Company will be able to sell its bonds at a figure in excess of 90 per cent of their face value, plus accrued interest. It is gratifying to note that while this applicant was able to sell its bonds of this same issue in 1912, when this Commission first assumed jurisdiction over its finances, at 85 per cent of par, it is now able to sell them at 90, an advance of five points, which in this particular proceeding amounts to \$125,000.00

I recommend that the application be granted and submit the following form of order.

O R D E R.

PACIFIC GAS AND ELECTRIC COMPANY, having applied to the Railroad Commission of the State of California for authority to issue \$2,500,000.00 face value of its 5% general and refunding bonds, at not less than 90 per cent of their face value plus accrued interest;

And a public hearing having been held;

And it appearing that the purposes for which

applicant herein desires to use the proceeds obtained from the sale of said bonds, are not in whole or in part reasonably chargeable to operating expenses;

IT IS HEREBY ORDERED, that Pacific Gas and Electric Company be given and hereby is given authority to issue \$2,500,000.00 face value of its general and refunding five per cent bonds due and payable January 1, 1942.

The authority hereby granted is granted subject to the following conditions and not otherwise:

1. The bonds hereby authorized to be issued, shall be sold at not less than 90 per cent of their face value plus accrued interest.
2. No part of the proceeds obtained from the sale of said \$2,500,000.00 face value of bonds, shall be expended until the Commission by Supplemental order has defined the purposes for which said proceeds may be expended.
3. Pacific Gas and Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds 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 bonds 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.
4. The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.
5. The authority herein granted shall apply only to such bonds as may be issued on or before November 1, 1917.

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 ^{4th} ~~2nd~~ day
of January, 1917.

Railroad Commission State of California
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JAN 5 1917
A. G. Matheson
BY *A. G. Matheson*
Assistant Secretary.

Max Thelen

H. D. Howard

W. Gordon

Edwin A. Edgerton

Franz R. Dolan

Commissioners.