

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application)
of PACIFIC GAS AND ELECTRIC COM-)
PANY for an order authorizing it to) Application No. 3384.
issue general and refunding mortgage)
gold bonds of the face value of)
\$3,000,000.00)

C. P. Cutten for Pacific Gas and Electric
Company.

TEBLEEN, Commissioner.

FIRST SUPPLEMENTAL OPINION.

Pacific Gas and Electric Company asks authority to issue its general and refunding mortgage gold bonds of the face value of \$3,000,000.00 and to use the proceeds thereof and also the proceeds from the sale of its general and refunding mortgage gold bonds of the face value of \$2,500,000.00 authorized by Decision No. 3975 made on January 4, 1917, in Application No. 2675 (Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 157), as well as the proceeds from the sale of the unissued first preferred stock authorized by Decision No. 3023, made on January 3, 1916, for the purpose of reimbursing its treasury for capital expenditures to August 31, 1917 and of paying for the construction, completion, extension and improvement of facilities subsequent to August 31, 1917.

By Decision No. 4997, made on December 31, 1917, in this proceeding, the Railroad Commission authorized Pacific Gas and Electric Company to use \$1,491,151.35 of the proceeds from the sale of said \$2,500,000.00 of bonds authorized to be issued by said Decision No. 3975, made on January 4, 1917, to reimburse

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its treasury for moneys expended for purchase of bonds of Oro Electric Corporation. The Commission passed therein only on a part of the issues presented in this application.

The additional information requested at the hearing herein and referred to in said Decision No. 4997 has now been filed and under stipulation made at the hearing has been given exhibit numbers as follows:

Exh. No. 1 of Petitioner- Letter from John A. Britton, dated Dec. 29, 1917 enclosing letter from Mr. E. C. Jones in re construction of gas works at the Potrero, in San Francisco, and at Fresno; letter from P. M. Downing in re proposed extension of Wise tower line from Stockton to Mission San Jose; and letter from A. F. Hockenbeamer in re construction expenditures to date on specified new construction work.

Exh. No. 2 of Petitioner - Letter from John A. Britton, dated January 7, 1918, giving maximum and average days' sendout from San Francisco and Fresno gas plants in 1917.

Exh. No. 3 of Petitioner - Letter from E. E. Steele to Mr. P. M. Downing, dated January 7, 1918, in re cost of three different methods of transmitting electric energy from the end of the present Wise Tower Line to Mission San Jose.

Exh. No. 4 of Petitioner - Letter from M. E. Bridges, dated January 29, 1918, giving specified financial data.

A final order may now be made herein.

Pacific Gas and Electric Company asks authority to use the proceeds from the sale of securities to reimburse its treasury for capital expenditures. By said Decision No. 3023, dated Janu-

ary 3, 1916, as amended, petitioner may on or before December 31, 1918, issue \$2,500,000.00 of first preferred stock at not less than \$90.00 per share. The company reports that up to August 31, 1917, it had sold all of this stock, except \$399,800.00 par value. There is due on stock subscriptions the sum of \$27,590.00. By said Decision No. 3975, dated January 4, 1917, Pacific Gas and Electric Company was authorized to issue \$2,500,000.00 of its general and refunding 5 per cent bonds due and payable January 1, 1942, at not less than 90 per cent of their face value plus accrued interest. These bonds were sold by the company in January, 1917, for \$2,262,500.00. The order authorizing the issue of these bonds provided that no part of the proceeds from their sale shall be expended, except as authorized by the Railroad Commission in a supplemental order. The balance due on stock subscriptions plus the proceeds from the sale of the \$2,500,000.00 of bonds aggregates \$2,290,090.00. Decision No. 4997, as hereinbefore pointed out, authorized Pacific Gas and Electric Company to use of this amount \$1,491,151.35 to reimburse its treasury. The balance of the moneys, including the unpaid stock subscriptions, now available for the reimbursement of the treasury amounts to \$798,938.65.

In Exhibit "B" attached to the petition herein, petitioner reports that it has expended for construction and the acquisition of new property to August 31, 1917, the sum of \$4,317,879.66 for which amount the company's treasury has not been reimbursed through the sale of securities. Deducting from said \$4,317,879.66 the sum of \$1,491,151.35, referred to in said Decision No. 4997, leaves a balance of \$2,826,728.31 as of August 31, 1917, for which petitioner's treasury has not been reimbursed.

In Exhibit "C", attached to the petition, the petitioner reports estimated expenditures authorized by its General Manager and executive committee, as of August, 1917, amounting to \$2,906,376.59. In Exhibit "D", attached to the petition, petitioner estimates the cost of the new construction arising out of the development of its business and the addition of new consumers during the remaining portion of 1917 and all of 1918 at \$2,700,000.00. In Exhibit "E", attached to the petition, the company reports the estimated cost of the new gas works at Fresno and the installation of additional facilities at San Francisco, together with the extensions of the Wise Tower Line from a point near Stockton to Mission San Jose, and the cost of surveys in Colusa County at \$1,402,866.50. The sum total of the estimated expenditures is reported at \$7,009,243.09. Adding to this the reported expenditures - \$2,826,728.31 - for which the company's treasury has not been reimbursed, one obtains a total of \$9,835,971.40. As said, against this expenditure, the company has on hand or will have available the sum of \$798,938.65. Taking this amount into consideration, the company's expenditures incurred or to be incurred, as reported, for which it has made no arrangements to issue securities, amount to \$9,037,032.75. This total, however, includes reported expenditures up to August 31, 1917, in the amount of \$2,027,789.66.

To reimburse its treasury for the expenditures up to August 31, 1917, and to finance in part the expenditures referred to above, the company now desires authority to issue \$3,000,000.00 of bonds at not less than 85 per cent of their face value plus accrued interest. At the hearing, Mr. A. F. Hockenbeamer, petitioner's Vice President and Treasurer, testified that the market for the sale of these bonds, due to war conditions, is now unfavorable, and that petitioner does not now desire to sell these bonds. It

was suggested that it might possibly be desired to use these bonds as collateral security, but Mr. Hockenbeamer testified that petitioner does not contemplate borrowing money on short term loans at this time, and in fact, hopes to finance itself through 1918 without borrowing. Under these circumstances, it will not be necessary to pass now on the issue of said \$3,000,000.00 of bonds and the petition in so far as these bonds are concerned will be held in abeyance.

Inasmuch as applicant does not propose at this time to sell said \$3,000,000.00 of bonds, it is not necessary for the Commission to approve applicant's construction program in all of its details. As a matter of fact, detailed estimates in regard to much of the proposed construction have not been furnished to the Commission.

In Exhibit "E", attached to the petition herein, petitioner reports estimated expenditures for the following purposes:

New Gas Works at Fresno	\$445,470.00
Enlargement of Potrero Gas Works, San Francisco	408,946.50
Extension of Wise Tower Line from a point near Stockton to Mission San Jose Substation.	533,450.00
Surveying Double Tower Line from Madison north to near Maxwell, 48.6 miles	<u>15,000.00</u>
Total	\$1,402,866.50

On these projects, petitioner reports an expenditure to November 30, 1917, of \$91,690.14.

It is a matter of common knowledge that many public utilities as well as other enterprises will have considerable difficulty in financing new construction during the war. The general welfare requires that our electric utilities, which play

so vital a part in the Nation's efficiency, shall in so far as possible conserve their finances so that they may more readily be able to secure such funds as are imperatively needed to increase their production and maintain their efficiency. Expenditures which otherwise might be considered desirable, though not immediately necessary, should be deferred in favor of expenditures most urgently necessary at the moment to increase the efficiency of these utilities to help win the war. Furthermore, at a time when the cost of materials and money is abnormally high, it is in the interest of both the utility and its patrons that all work not clearly now necessary be deferred. This situation requires an analysis of proposed large expenditures, from a different point of view than was the case before the war.

The construction of the new gas works at Fresno seems to be advisable. Instead of costing \$445,470.00, it appears that the actual cash outlay for the construction of the new gas works will be approximately only \$155,170.00. The difference between the estimate and the actual cash outlay is accounted for by the fact that the company proposes to transfer from its Martin Station in San Francisco considerable equipment and proposes to use equipment now installed in its old Fresno gas works.

Petitioner proposes to enlarge its Potrero gas plant at San Francisco by the installation of two new 18-foot 9 inch gas generators, with boilers, scrubbers, exhausters and all auxiliary equipment. The installation of these two new generators would increase the capacity of the Potrero plant by approximately 10,000,000 cubic feet per day. The cost of installation is estimated at \$408,946.50 in cash. Petitioner's present Potrero and Metropolitan plants have a combined capacity of 26,000,000

cubic feet per day. It is estimated that the 1917-1918 demand for gas will average 23,000,000 cubic feet and the 1918-1919 cubic feet demand will average 25,000,000 cubic feet per day. Were it to become necessary to shut down one of the larger units in either of the plants, the present plant capacity would be reduced to 21,000,000 cubic feet per day. The installation of one of the proposed new generators, with a capacity of 5,000,000 cubic feet per day, seems imperative. Such an installation will meet petitioner's needs for at least two years. The installation of the second new generator, in my opinion, might be at this time deferred.

Petitioner wishes to extend its Wise Tower Line from a point near Stockton to Mission San Jose substation at an estimated cost of \$588,450.00. This sum includes \$55,000.00 heretofore expended for rights of way. It appears to be necessary that more power be provided for the region south of San Francisco Bay to supply the rapidly growing load in that region, to eliminate the further consumption of fuel oil to supply this load, and to improve the power voltage regulation in that section due to the limited capacity of existing transmission lines.

However, it appears likely that the same end can be more economically accomplished in harmony with the contemplated further utilization of existing interconnection facilities between the northern California hydro-electric utilities by connecting the Wise Tower Line with the line of the Sierra and San Francisco Power Company at Manteca and thence utilizing the Sierra and San Francisco Power Company's line from Manteca to Mission San Jose, which can be used to carry 12,000 K.W. of additional load. On this subject, as appears from Report of the Committee on Electric Power, Northern District of California, filed in Case No. 1176 on January 31, 1918, the Engineering Advisory Committee reported as follows:

"We have further considered the possibility of extending the Wise-Stockton line of the Pacific Company to Manteca at 60,000 volts, and connecting with the Sierra system at this point, through which connection the Sierra's line from Manteca to Mission San Jose could be used to carry up to 12,000 kilowatts of additional load. If the Wise-Stockton line of the Pacific Company be changed to 100,000 volt operation, for which it was designed, a direct connection at this voltage is possible at Manteca, which will accomplish the same purpose. In any event, 100 K.V. -- 60 K.V. transformers will be necessary at either Mission San Jose or Port Marion to return this energy to the Pacific Company's lines. We are of the opinion that such an interconnection would materially improve the voltage conditions in that portion of the Pacific Company's network south of San Francisco Bay, and would postpone the necessity for the completion of the Stockton-Mission San Jose line of the Pacific Gas and Electric Company."

Petitioner's Exhibit No. 4 shows that petitioner has expended on its so-called Pitt River project to November 30, 1917, the sum of \$445,902.21. These expenditures are not referred to in any of the exhibits attached to the petition here. The development of this project, as appears from the testimony herein, is being opposed and contested by the Northern California Power Company, Consolidated, which claims rights to the waters of the Pitt River. This matter has never before been brought before the Commission and nothing herein contained shall be construed as in any way passing on this expenditure.

I recommend that petitioner be authorized to use the \$771,348.65, remaining from the sale of its \$2,500,000.00 of bonds to reimburse its treasury in part for capital expenditures incurred prior to August 31, 1917, as provided in the order herein.

I herewith submit the following form of order:

FIRST SUPPLEMENTAL ORDER.

PACIFIC GAS AND ELECTRIC COMPANY having made application for an order, as specified in the opinion which precedes this order, a public hearing having been held and the Railroad Commission finding that the purposes for which said petitioner desires to use \$771,348.65 of the proceeds from the sale of its general and refunding gold bonds, the issue of which was authorized by Decision No. 3975, dated January 4, 1917, are not in whole or in part reasonably chargeable to operating expenses or to income and that the money to be paid for said purposes is reasonably required therefor,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be, and it is hereby, granted authority to use \$771,348.65 of the proceeds from the sale of bonds, the issue of which was authorized by Decision No. 3975, dated January 4, 1917, to reimburse its treasury for capital expenditures incurred prior to August 31, 1917 and referred to in the opinion which precedes this order. This authorization is subject to the condition that on the twenty-fifth day of the month after such reimbursement has been made, the Pacific Gas and Electric Company shall make a verified report to the Railroad Commission showing the use and application of such moneys, and designating with such particularity that they can be readily identified the particular expenditures against which the reimbursement is made, in accordance with the Railroad Commission's

General Order No. 24, which order, in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the application herein for authority to issue \$3,000,000.00 of general and refunding gold bonds at not less than 85 per cent of their par value be, and the same is hereby held in abeyance.

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

Dated at San Francisco, California, this 4th day of February, 1918.

Max Thelen
H. J. Loveland
Wm. Gordon

Frank P. Robinson

Commissioners.