

Decision No. 5892

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 COMPANY,)
a corporation, for an order of the)
Railroad Commission authorizing it to)
issue, sell and deliver its general)
and refunding mortgage gold bonds to)
the par value of \$5,000,000 or its)
first preferred stock to the par value)
of \$5,000,000 or such portions of)
either security to the par value of)
\$5,000,000 as the company may elect to)
issue and sell, and to use the proceeds)
from the sale of said bonds and stock)
in the manner and for the purposes)
described herein.)

Application Number 4012.

William B. Bosley and Charles P. Cutten, for applicant.

DEVLIN, Commissioner.

O P I N I O N.

PACIFIC GAS AND ELECTRIC COMPANY asks authority to issue \$5,000,000 of its 5 per cent general and refunding mortgage gold bonds, due January 1, 1942, or \$5,000,000 of its 6 per cent first preferred stock, or such portion of either said bonds or stock to the aggregate par value of \$5,000,000 as it may elect to issue and sell. Applicant intends to sell its bonds for not less than 85 per cent of their face value, plus accrued interest, and its stock for not less than \$82.50 per share.

Under former orders of the Commission, applicant has authority to issue on or before December 31, 1918 - \$498,500.00 of

its first preferred stock. It reports that it has received subscriptions for \$21,900.00 of said \$498,500.00 of stock and that there is due on the subscriptions the sum of \$7,633.98. Applicant asks permission to use the proceeds from the sale of the \$498,500 of stock heretofore authorized to be issued, together with the proceeds from the sale of the \$5,000,000 of bonds or the \$5,000,000 of first preferred stock which it now asks authority to issue, to reimburse its treasury for moneys expended for capital purposes and to finance ~~xxx~~ construction expenditures referred to in Exhibits "B", "C" and "E", attached to the petition herein.

As of May 31, 1918, Pacific Gas and Electric Company reports \$24,773,805 of first preferred, \$75,800 of original preferred and \$65,700,924.66 of common stock outstanding. Of the common stock outstanding, \$31,696,866.66 is owned by subsidiary companies, leaving \$34,004,058 of common stock outstanding in the hands of the public. The \$84,885,000 of funded debt reported on May 31, 1918 includes \$875,000 of bonds pledged, \$145,500 of bonds in the treasury of the company, \$4,644,700 of bonds held alive in the various sinking funds and \$79,219,800 of bonds outstanding in the hands of the public.

In Exhibit "D" attached to the petition herein, applicant reports capital expenditures of \$3,504,255.57 against which no stocks or bonds have been issued. In Exhibit "B" it refers to construction expenditures to be incurred subsequent to May 31, 1918, involving the sum of \$2,290,790.33; in Exhibit "C" the sum of \$794,373.33 and in Exhibit "E" \$2,700,000, making a total of capital expenditures incurred or to be incurred against which the company has issued no stocks or bonds of \$9,289,419.23.

While recommendation that this application be granted is made, it is with the understanding that any proceeds

realized from the sale of stocks and bonds herein authorized to be issued, will be applied first to the capitalization of the expenditures to May 31, 1918, and next to the capitalization of expenditures subsequent to May 31, 1918, and with the understanding that the authority herein granted to issue securities be not interpreted as an approval of applicant's entire construction program but only an approval of such program to the extent that securities are herein authorized to be issued. It is not necessary to indicate to the company the order in which it shall carry out its construction program referred to in Exhibits "B", "C" and "E". Such order should in the first instance be left to the judgment of its officers. It is, of course, understood that only expenditures on capital account, as prescribed under the classification of accounts of the Railroad Commission, may be financed through the sale of stock and bonds herein authorized to be issued. Applicant shall file with the Railroad Commission monthly reports showing its entire expenditures on capital account.

The \$3,504,255.57 of uncapitalized capital expenditures incurred prior to May 31, 1918, include \$258,837.50 expended for the purpose of acquiring the stock of the Mt. Shasta Power Company and through such acquisition gain control of the Mt. Shasta Power Corporation. Since the acquisition of the stock of the Mt. Shasta Power Company, that company has been dissolved with the result that at this time the Pacific Gas and Electric Company owns all of the outstanding stock of the Mt. Shasta Power Corporation except shares necessary to qualify directors.

The Mt. Shasta Power Corporation, according to the testimony in this proceeding, owns valuable water rights and property on and along the Pitt River. Since the Pacific Gas and

Electric Company has acquired control of the Mt. Shasta Power Corporation it has advanced to it the sum of \$211,255.34. These advances are not included in the construction expenditures of Pacific Gas and Electric Company, reported in Exhibits attached to the petition herein and there is therefore no need for considering them in connection with this application. John A. Eritton, vice-president and general manager of Pacific Gas and Electric Company, testified that approximately 200,000 horse power can be developed in the Pitt River project at a cost of about \$18,000,000. He believes that the work can be completed in four years. While the testimony indicates that Northern California Power Company, Consolidated, claims to own some rights on the Pitt River at Big Bend, there is no litigation at this time pending to determine the respective rights of the Mt. Shasta Power Corporation and the Northern California Power Company, Consolidated. The latter company entered no protest against the granting of this application. Mr. William B. Bosley, counsel for the Pacific Gas and Electric Company, is satisfied that the Mt. Shasta Power Corporation has a valid title to the property referred to as the Pitt River project. The determination of the title, if ever questioned, is a matter for the courts and not this Commission to decide. I wish, however, to call attention to the fact that the amount, \$258,837.50, involved in this application and expended by the Pacific Gas and Electric Company for acquiring control of the Mt. Shasta Power Corporation, is a relatively small amount when taken into consideration with the properties of the Pacific Gas and Electric Company as a whole. If hereafter it should become necessary, because of failure of title, for Pacific Gas and Electric Company to adjust its accounts, it should make proper adjustments through its corporate surplus account.

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 authority to issue first preferred stock and bonds as indicated in the foregoing Opinion, and 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 the issue of said stock or bonds is reasonably required for the purpose or purposes specified in the Order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, granted authority to issue \$5,000,000.00 of its 5 per cent general and refunding mortgage bonds, payable January 1, 1942, or \$5,000,000.00 of its 6 per cent first preferred stock, or such portions of either of said bonds or stock as it may elect to issue to the aggregate par value of \$5,000,000.00 upon the following conditions and not otherwise:

- 1.---The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 85 per cent of their face value plus accrued interest.
- 2.---The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$82.50 per share.
- 3.---The proceeds obtained from the sale of the stock or bonds herein authorized to be issued and from the sale of stock heretofore authorized to be issued, shall be used by applicant to reimburse its treasury for capital expenditures incurred prior to May 31, 1918, and for the further purpose of financing the construction expenditures referred to in Exhibits "B", "C" and "E", provided that this authority shall not

be interpreted as an approval of applicant's construction program beyond the amount which it will realize from the sale of stock and bonds herein authorized to be issued, or heretofore authorized to be issued.

4.--Pacific Gas and Electric Company shall file with the Railroad Commission monthly reports showing in detail all of its expenditures on capital account.

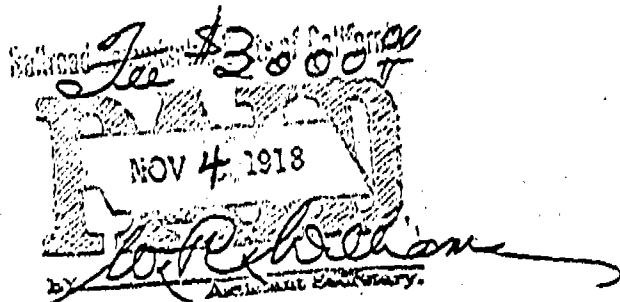
5.--On or before the twenty-fifth day of each month applicant shall file with this Commission statements as required by this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6.--The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7.--The authority herein granted to issue stock and bonds shall apply only to such stock and bonds as may be issued on or before December 31, 1918.

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 31st day of October, 1918.



Edwin O. Edgerton
H. H. Hayward
James R. Martin
Commissioners.