

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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ORIGINAL
Decision No. 736

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In the Matter of the Application of
PACIFIC GAS AND ELECTRIC COMPANY,
a corporation, for an order author-
izing it to issue, sell and deliver
bonds to the amount of \$5,000,000.00
of its "General and Refunding Mortgage
gold bonds".
.....

Application No. 503.

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

TESLIEN, Commissioner.

O P I N I O N

This is an application for authority to issue bonds of the face value of \$5,000,000.00 of applicant's thirty year five per cent general and refunding mortgage gold bonds.

Application is made to issue bonds of the face value of \$1,590,000.00 for additions, betterments and extensions heretofore made and bonds of the face value of \$3,410,000.00 for additions, betterments and extensions to be hereafter made.

Heretofore on the 14th day of September, 1912, this Commission made its order in Application No. 210, authorizing applicant to issue its general and refunding bonds of the face value of \$5,000,000.00 for the purpose of making the additions, betterments and extensions specified in said order. The last of the proceeds of these bonds was expended in partial payment for construction work during the month of March, 1913. Applicant alleges that during a portion of the month of March and during the months of April and May, 1913, it has expended for the acquisition of property and for the construction, completion, extension and improvement of its facilities the sum of \$1,767,468.14, all of which expenditures are said to be properly chargeable to capital.

account. The periods during which this total expenditure occurred are alleged to have been as follows:

1913	
March.....	\$365,564.12
April.....	583,916.31
May.....	818,007.71

Applicant has filed with this Commission statements showing in detail the expenditure of these sums of money. Under applicant's general and refunding mortgage it may, as between itself and the trustee, receive from the trustee bonds of the face value of 90% of moneys theretofore expended for the acquisition of property and for the construction, completion, extension and improvement of its facilities. Applicant accordingly asks authority under this head to issue bonds of the face value of \$1,590,000.00.

The remaining bonds of \$3,410,000.00 face value, represent 90% of expenditures which applicant expects to make for capital account subsequent to May 31, 1913. These expenditures are to be made for new construction work for the general purposes specified in Exhibit "B" of Application No. 552, filed with this Commission May 10, 1913, to which Exhibit reference is hereby made. It appears from said Exhibit that applicant estimates a total expenditure for new construction work for the year 1913 of \$13,721,683.92 in connection with its various departments including electrical department, gas department, railway department, water department, steam department and miscellaneous matters. The largest items in this program of construction for the year 1913 are as follows:

South Yuba Hydro-electric development, including the Lake Epaulding and Bear River work.....	\$3,854,354.08
Installation of three power houses in Placer District.....	2,267,818.30
Steel tower transmission lines from Drum Power house to Cordelia Sub-station.....	1,129,633.99

The testimony shows that of the expenditures for the month of May, 1913, between 50 and 75% were made in connection with the South Yuba Hydro-electric development and about 5% in connection with the Drum-Cordelia and the Cordelia-San Rafael tower lines.

Applicant has an authorized issue of preferred stock amounting to \$10,000,000.00 and of common stock amounting to \$150,000,000.00. Of the stock so authorized the entire preferred stock has been issued. Of the common stock \$31,998,750.00 is issued and outstanding in the hands of the public, and \$31,696,866.66 is owned by the San Francisco Gas and Electric Company, a subsidiary corporation. As appears from this Commission's order in Application No. 210, none of the latter stock is to be issued to the public. By agreement between the parties no dividends are to be paid on this stock except to minority stockholders representing not more than one percent of the total.

The applicant's bonded indebtedness, both underlying bonds and its general and refunding bonds, amounts to \$75,858,800.00. In addition to these bonds, this Commission, in Application No. 552, decision No. 673, authorized the issue of \$5,000,000.00 face value convertible debenture bonds. Of the bonds so authorized, however, none have at present been sold.

Applicant reports current liabilities as of May 31, 1913, to be \$4,376,305.70 and current assets as \$3,506,118.97.

As against this stock and indebtedness applicant has a property the value of which is not definitely known to this Commission. Applicant alleges that its value is between One Hundred Million and One Hundred and Fourteen Million Dollars. Before applicant applies for the issue of further securities it will present to the Commission an inventory and appraisal of its property, so that the Commission's engineering and auditing departments may make such investigations as to the Commission may seem advisable.

For the year ending December 31, 1912, the applicant reports gross earnings of..... \$14,473,525.57;
 net income of..... 6,313,090.79,
 balance after the payment of all interest charges.... 2,616,257.83.

During the year 1912 applicant authorized the payment of dividends at the rate of 6% on its preferred stock amounting to a total of \$600,000.00, and dividends of 5% on its common stock amounting to

approximately \$1,500,000.00.

Applicant has entered into no contract for the sale of the bonds which it now asks this Commission to authorize, but believes that it will be able to sell them at 85 or over. Because of the present financial situation applicant asks authority to pledge the bonds of the face value of \$1,590,000.00 which it desires to issue on account of expenditures heretofore made for capital account, so that if an advantageous sale of the bonds is impossible, the Company may use them as collateral to borrow money up to at least 75% of their face value to meet indebtedness which has been incurred in the construction work against which the bonds are to issue.

I find that the purposes for which the proceeds from the sale of the bonds hereby authorized are to be used are not in whole or in part reasonably chargeable to operating expenses or to income and submit herewith 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 its general and refunding mortgage gold bonds to the amount of \$5,000,000.00, face value, said bonds to be payable on the first day of January, 1942, and to bear interest at the rate of 5% per annum, payable semi-annually, and secured by mortgage or deed of trust upon all the property of the company, and a public hearing having been held upon said application, and the Commission finding that the purposes for which the proceeds of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission hereby authorizes the issue by said Pacific Gas and Electric Company of Five Million (\$5,000,000.00) Dollars, face value, of principal of its general and refunding mortgage gold bonds, maturing on the

first day of January, 1942, and to bear interest at the rate of 5% per annum, payable semi-annually, under and in pursuance of the terms of the mortgage or deed of trust heretofore and on the first day of December, 1911, made and executed by said Pacific Gas and Electric Company to Bankers Trust Company of New York, corporate Trustee, and Frank E. Anderson of San Francisco, individual Trustee, on the following conditions and not otherwise, to-wit:

1. Pacific Gas and Electric Company may sell bonds of the face value of One Million Five Hundred and Ninety Thousand (\$1,590,000.00) Dollars of said authorization so as to net the said Company not less than 85% of the par value of the principal thereof, besides interest accrued thereon, or, as an alternative, shall have the right to pledge said bonds as security for notes of a period of less than twelve (12) months, said indebtedness to be not less than 75% of the face value of the bonds pledged.

(a) The proceeds of the sale or pledge of said bonds shall be applied only for the discharge or refunding of obligations of the company incurred for the acquisition of property, the construction, completion, extension or improvement of facilities, and the maintenance of service during the months of March, April, and May, 1913 in accordance with statements of expenditures for said months attached to and filed with the application herein as Exhibits thereto.

2. Pacific Gas and Electric Company may sell bonds of the face value of Three Million Four Hundred and Ten Thousand (\$3,410,000.00) Dollars of the issue hereby authorized, so as to net said Company not less than 85% of the par value of the principal thereof besides interest accrued thereon.

(a) The proceeds from the sale of said bonds shall be applied only to discharge or refund obligations of the Company which may be incurred subsequent to May 31, 1913, for the acquisition of property, the construction, completion, extension or improvement of facilities and the maintenance of service for items specified

in Exhibit "B" attached to application No. 552 and filed on May 10, 1913, showing authorized expenditures and additional estimated capital requirements not as yet authorized for the year 1913.

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 or pledge, as the case may be, of the bonds hereby authorized to be issued, and on or before the 25th day of each month shall make verified reports to the Commission stating the sale or pledge of said bonds during the previous month, the terms and conditions of such sale or pledge, 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 hereby given to issue bonds shall apply only to bonds issued by said Pacific Gas and Electric Company on or before the first day of June, 1914.

5. This order shall not become effective until the fee prescribed by section 57 of the Public Utilities Act has been paid.

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 June, 1913.

John M. Eschleman
Alex. Anderson
Max Thibault

Commissioners.

Railroad Commission State of California

Fee \$ 3000⁰⁰/₁₀₀

JUN 23 1913

A. G. MacArthur
Assistant Secretary