

ES

Decision No. 7452.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

---oOo---

In the Matter of the Application of
PACIFIC GAS AND ELECTRIC COMPANY,
a corporation, for an order of the
Railroad Commission approving a cer-
tain agreement dated April 15, 1920,
by and between PACIFIC GAS AND ELEC-
TRIC COMPANY, THE BANK OF CALIFORNIA,
NATIONAL ASSOCIATION and BLYTH, WITTER
AND COMPANY, and authorizing the issu-
ance of temporary certificates and
the hypothecation and pledging of its
Registered General and Refunding Mort-
gage Gold Bonds or Bonds of the face or
par value of Fifteen Million Dollars
(\$15,000,000.00) pursuant to said agree-
ment.

Application
Number
5598.

William B. Bosley, for applicant.

EDGERTON, Commissioner.

O P I N I O N.

PACIFIC GAS AND ELECTRIC COMPANY asks the Railroad
Commission to make an order:--

- 1.- Approving the agreement dated April 15, 1920, between it,
the Bank of California, National Association and Blyth, Witter
and Company;
- 2.- Authorizing it to issue \$10,000,000.00 of temporary cer-
tificates under and pursuant to the provisions of said agree-
ment obligating applicant to exchange such temporary certifi-
cates for \$10,000,000.00 of 5-year 7 per cent collateral trust
convertible gold notes, when, if and as such notes shall be

duly authorized, or to refund the amounts paid by the purchasers of the certificates as provided in the agreement;

3.-- Authorizing applicant to deposit \$15,000,000.00 of its general and re-funding mortgage gold bonds to secure the payment of the temporary certificates or the 5-year 7 per cent convertible gold notes.

4.-- Permitting applicant to reimburse its treasury in the sum of \$5,200,959.59.

As of December 31, 1919, applicant reports assets and liabilities as follows:

ASSET ACCOUNTS:

Fixed Capital,		\$151,030,720.87
a.--Installed prior to Jan. 1, 1913,	\$109,176,049.67	
b.--Installed since December 31, 1912,	41,854,671.20	
Cash,		2,027,700.08
Special Deposits,		174,051.18
Notes Receivable,		54,100.37
Accounts Receivable,		3,844,025.54
Interest and Dividends receivable,		14,342.77
Other Current Assets,		42,858.47
Investments,		1,032,813.80
Materials and Supplies,		2,708,677.01
Sinking Funds,		6,118,213.82
Treasury Securities (\$375,000.00 hypothecated),		1,358,952.35
Prepaid Taxes,		29,185.66
Unamortized discount on securities and expense,		9,337,224.68
a.--Stock,	4,762,281.22	
b.--Bonds,	4,574,943.46	
Other Suspense,		168,292.51
Construction Work in progress,		2,417,754.65
<u>TOTAL ASSET ACCOUNTS,</u>		<u>\$180,358,924.76</u>

LIABILITY ACCOUNTS:

Capital Stock,		\$ 64,053,638.00
a.--Total issued and subscribed for, ..	\$95,750,504.66	
b.--Less owned by system corporations, ..	31,696,866.66	
Funded Debt,		94,140,558.15
Bonds called but not redeemed,		1,410.00
Notes Payable,		240,283.31
Accounts Payable,		2,549,074.29
Interest Accrued,		1,474,969.78
Taxes Accrued,		912,420.53
Dividends Declared,		427,028.65
Reserve for Accrued Depreciation,		2,834,717.39
Casualty and Insurance reserves,		155,591.30
Coupons due and unpaid,		121,065.00
Reserves invested in sinking funds,		1,077,914.26
Reserve for Northern California Power Co.		1,799,576.92
plant adjustments and accrued depreciation		
Other Reserves,		5,780,260.45
Earnings in suspense account rate case, ..	1,849,321.50	
Bad Debt Reserve,	130,938.95	
Reserve for Railroad Commission Order 3484, ..	3,800,000.00	
Corporate Surplus unappropriated,		4,790,416.73
<u>TOTAL LIABILITY ACCOUNTS,</u>		<u>\$180,358,924.76</u>

As of December 31, 1919, applicant reports \$34,004,058.00 of common and \$72,800.00 of original 6 per cent preferred and \$28,724,280.00 of first preferred stock, and \$87,002,405.80 of bonds outstanding and in the hands of the public.

John A. Britton, vice-president and general manager of Pacific Gas and Electric Company, testified that in his opinion the company during 1920 should expend at least \$10,685,746.00 for necessary additions and betterments, and that if funds are available, it should expend an additional \$2,376,680.00, making a total of \$13,062,426.00. This expenditure includes an allowance of \$3,180,000.00 for the purpose of constructing hydroelectric generating plants on the Pitt River or its tributaries and necessary transmission lines, and also an expenditure of at least \$540,000.00 on the properties of the Sierra and San Francisco Power Company. The engineers of the company estimate that it can have in operation prior to January 1, 1921 a 20,000 h.p. hydroelectric generating plant located on the Pitt River or its tributaries, and an additional 50,000 h.p. plant prior to January 1, 1922. These plants will be built by Mt. Shasta Power Corporation through funds advanced by Pacific Gas and Electric Company, such advances to be repaid when Mt. Shasta Power Corporation is in a position to sell securities. It might be said in this connection that Pacific Gas and Electric Company owns all of the outstanding stock of Mt. Shasta Power Corporation, except shares necessary to qualify directors. It was agreed at the hearing that as soon as detailed estimates of cost are prepared, copies of such estimates will be filed with the Commission.

The record shows that it is for the purpose of paying in part for the construction of extensions, additions and betterments referred to by John A. Britton that applicant has arranged for the sale of the \$10,000,000.00 of 5-year 7 per cent collateral trust convertible gold notes. A special meeting of applicant's stockholders to authorize an increase in its bonded debt has been called for June 21, 1920. On account of market conditions, applicant believes that it is to its interest to immediately effect the sale of the notes subject, of course, to the authorization of their issuance by its stockholders. Applicant has entered into an agreement with Blyth,

Witter and Company, purchaser, and Bank of California, National Association, trustee, under the terms of which it will issue not exceeding \$10,000,000.00 of temporary certificates to be exchanged on or before September 1, 1920 for 7 per cent promissory notes to be dated May 1, 1920 and mature May 1, 1925. The agreement, among other things, further provides that there shall be deposited with the trustee and held as security for the payment of the notes \$15,000,000.00 of applicant's general and refunding 5 per cent mortgage bonds due January 1, 1942; that all of the proceeds obtained from the sale of the temporary certificates shall be delivered to the trustee and held by it until the notes are issued; that in the event applicant's stockholders should not authorize the issue of the notes the trustee shall redeem the temporary certificates at 98; that the notes shall be convertible, at the option of the holder or the owner thereof, at par and accrued interest into shares of applicant's first preferred 6 per cent stock at 95 or into applicant's common stock on or before May 1, 1922 at 80 and thereafter at 85; that the notes may be redeemed at the option of the company in lots of not less than \$500,000.00 on November first or May first of each year at par and accrued interest plus a premium of 1 per cent upon the principal and that upon the payment of each note or notes of the face value of \$1,000.00, bonds in the amount of \$1,500.00 shall be released from the lien of the collateral trust agreement and re-delivered by the trustee to the company. Applicant intends to hereafter file a supplemental petition in this proceeding for authority to issue the notes and to execute a collateral trust agreement defining the terms and conditions under which the notes will be issued.

Applicant reports that to January 31, 1920, it expended for construction purposes and the acquisition of properties or stock of Northern California Power Company, Consolidated, the sum of \$5,200,959.59, against which it has issued no stock, bonds or other

evidences of indebtedness. The \$5,200,959.59 includes \$3,172,074.86 paid for Northern California Power Company, Consolidated, stock which applicant was authorized to purchase by Decision Number 6681, dated September 23, 1919. The order in that decision contains the following conditions:

"The consideration at which the public utility stock or properties are herein authorized to be transferred shall not be considered as a measure of value of said stock or properties for rate-making or any purpose other than the sale of the stock and the transfer of the properties herein authorized."

While I am willing to recommend that applicant be permitted to use \$5,200,959.59 of the proceeds from the sale of notes to reimburse its treasury, it is with the understanding that the authority herein granted shall not be interpreted as modifying the Commission's order in Decision Number 6681, dated September 23, 1919, except as such order may be in conflict with the authority herein granted, and with the further understanding that the entire \$5,200,959.59 be expended by applicant or Mt. Shasta Power Corporation for the construction of hydroelectric generating plants, extensions, additions and betterments.

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 permission to issue \$10,000,000.00 of temporary certificates and pledge \$15,000,000.00 of its general and refunding mortgage gold bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose or purposes set forth in this 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, authorized to issue and sell, for cash, at not less than 92-3/4 per cent of their face value plus accrued interest \$10,000,000.00 of temporary certificates pursuant to the terms of the agreement filed in this proceeding and marked Exhibit "D", which agreement is hereby approved.

IT IS HEREBY FURTHER ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY, be and it is hereby, authorized to issue and deposit as collateral security \$15,000,000.00 of its 5 per cent general and refunding mortgage gold bonds due January 1, 1942, to secure the payment of the \$10,000,000.00 of temporary certificates or the \$10,000,000.00 of 5-year 7 per cent collateral trust convertible gold notes referred to in this application, provided that upon the payment of each note or notes/^{aggregating} the face value of \$1,000.00, bonds in the amount of \$1,500.00 face value be released from the lien of the collateral trust agreement and returned to applicant's treasury and not thereafter issued without a further order from the Railroad Commission.

The authority herein granted is subject to further conditions, as follows:

- 1.--Of the proceeds realized from the sale of temporary certificates herein authorized to be issued, Pacific Gas and Electric Company may use \$5,200,959.59 to reimburse its treasury because of moneys expended for extensions, additions and betterments and the acquisition of properties referred to in this application, provided that after such reimbursement the money be used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mt. Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto.

2.-- The remainder of the proceeds obtained from the sale of the certificates shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

3.-- The approval herein given of said agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.

4.-- Pacific Gas and Electric Company shall keep such record of the issue and sale of the temporary certificates herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this Order.

5.-- The authority herein granted will not become effective until Pacific Gas and Electric Company has paid

the fee prescribed by the Public Utilities Act.

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 21st day of April, 1920.

Edwin O. Edgerton

Frank R. Terrell

H. B. Brundage

Commissioners.

State of California
Fee \$ 5500.⁰⁰/₁₀₀
APR 22 1920
H. P. MacArthur
BY
Assistant Secretary