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Decision No. 7812.

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 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 Regis- )  
 tered General and Refunding Mortgage )  
 Gold Bond or Bonds of the face or par )  
 value of fifteen million dollars )  
 (\$15,000,000.00) pursuant to said agree- )  
 ment. )

First Supplemental  
Application  
Number  
5598.

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

DEVLIN, Commissioner.

FIRST SUPPLEMENTAL OPINION.

PACIFIC GAS AND ELECTRIC COMPANY asks permission to execute a trust agreement and mortgage, issue bonds, notes and stock in the amounts and for the purposes hereinafter indicated.

By Decision Number 7452, dated April 21, 1920, in Application Number 5598, the Railroad Commission authorized applicant 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 and deposit \$15,000,000.00 of its 5 per cent general and refunding mortgage bonds to secure the payment of the \$10,000,000.00 of temporary certificates or 5-year 7 per cent collateral trust convertible notes issued in exchange for the temporary certificates. Conditions "1" and "2" of the Commission's order in Decision Number 7452, dated

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April 21, 1920, read 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 hydro-electric 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."

Applicant reports that at a meeting held June 21, 1920, its stockholders by a vote representing more than two-thirds of the subscribed and issued capital stock, duly authorized the increase of its bonded debt from \$150,000,000.00 to \$160,000,000.00. The increase in the bonded debt is to be represented by \$10,000,000.00 face value of 7 per cent collateral trust convertible gold notes to be issued pursuant to the terms and conditions of the trust agreement and mortgage filed with this supplemental application and marked Exhibit "D".

Applicant asks permission to issue to the holders of interim certificates an equal amount in par value of said 5-year 7 per cent collateral trust convertible gold notes and sell the remainder of the notes to Blyth, Witter and Company at not less than 92-3/4 per cent of their face value plus accrued interest, as provided for in the agreement of April 15, 1920.

In the proposed trust agreement and mortgage, applicant agrees to deposit with the trustee from time to time, if authorized by the Railroad Commission, such an amount of its general and refunding bonds (not exceeding, however, \$20,000,000.00) as may be necessary to permit the Superintendent of Banks of California to certify the notes as legal investments for savings banks. It is, of course, understood by all that the authority herein granted to execute

the trust agreement and mortgage does not in any way commit the Commission to authorize the issue of bonds to be deposited with the trustee under said trust agreement and mortgage. At this time, applicant asks permission to issue and deposit \$16,500,000.00 of bonds. This request will be granted. If circumstances should arise that make it desirable for applicant to deposit additional bonds, a formal application for permission to issue such additional bonds should be filed with the Commission.

In addition to being secured by the deposit of bonds, the 5-year notes will be further secured by a mortgage on all of applicant's properties located in the City and County of San Francisco. The lien of this mortgage, however, is subject to the various mortgages and deeds of trust heretofore executed by applicant and its predecessors.

Applicant in its proposed trust agreement and mortgage agrees that at the option and upon the demand of the owners or holders of any of the 5-year notes, and upon the surrender of such notes for cancellation, it will issue to such owners or holders at any time on or before May 1, 1925 so many shares of its first preferred stock as at 95 per cent of their par value will equal the face amount of the notes so surrendered plus accrued interest thereon to the date of their surrender, or, at any time on or before May 1, 1922, so many shares of its common stock as at 80 per cent of the par value of such shares will equal the face amount of the notes so surrendered plus interest accrued thereon to the date of their surrender, or, at any time after May 1, 1922, to and including May 1, 1925, so many shares of its common stock as at 85% of the par value of such shares will equal the face amount of the notes so surrendered plus accrued interest thereon to the date of their surrender. Applicant asks permission to issue its preferred or common stock for the purpose of complying with this provision of its proposed trust agreement and mortgage.

Applicant requests authority to use the proceeds from the sale of the notes or temporary certificates to reimburse its treasury in the amount of \$5,200,959.59, as authorized by the Commission in Decision Number 7452, dated April 21, 1920, and agrees that it will use the remainder of the proceeds for such purposes as the Railroad Commission may authorize.

I herewith submit the following form of Order.

FIRST SUPPLEMENTAL ORDER.

PACIFIC GAS AND ELECTRIC COMPANY having applied to the Railroad Commission to execute a trust agreement and mortgage, issue bonds, notes and stock, 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 by the issue of bonds, notes and stock herein authorized is reasonably required for the purpose or purposes specified in this order, and that 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 execute a trust agreement and mortgage substantially in the same form as the trust agreement and mortgage filed in this proceeding on June 28, 1920 and marked Exhibit "D", provided that the approval herein given of said trust agreement and mortgage 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 trust agreement and mortgage as to such other legal requirements to which said trust agreement and mortgage may be subject.

IT IS HEREBY FURTHER ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue \$10,000,000.00 face value of its 5-year 7 per cent collateral trust convertible gold notes

pursuant to the terms and conditions of said proposed trust agreement and mortgage marked Exhibit "D", and issue and deposit with the Bank of California, National Association, trustee, not exceeding \$16,500,000.00 of general and refunding bonds, said \$16,500,000.00 of bonds to be deposited with said trustee pursuant to the terms and conditions of the proposed trust agreement and mortgage marked Exhibit "D".

IT IS HEREBY FURTHER ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue from time to time either its common or preferred stock in exchange for the 5-year 7 per cent collateral trust convertible gold notes herein authorized to be issued, such exchange to be made upon the terms and conditions set forth in the proposed trust agreement and mortgage marked Exhibit "D".

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

- 1.-- Any of the notes herein authorized to be issued and which will not be exchanged for interim certificates, the issue of which the Commission authorized in Decision Number 7452, dated April 21, 1920, shall be sold by applicant, for cash, at not less than 92-3.4 per cent of their face value plus accrued interest.
- 2.-- The \$16,500,000.00 of bonds herein authorized to be issued and deposited with the trustee shall include the \$15,000,000.00 of bonds, the issue and deposit of which the Commission authorized in Decision Number 7452, dated April 21, 1920.
- 3.-- Any bonds released by the trustee under the terms and conditions of the proposed trust agreement and mortgage marked Exhibit "D", shall be returned to applicant's treasury and thereafter issued only upon such terms and conditions as the Railroad Commission may authorize.

4.-- Of the proceeds realized from the sale of the temporary certificates, the issue of which is authorized by Decision Number 7452, dated April 21, 1920, or from the sale of the 5-year 7 per cent collateral trust convertible gold notes, the issue of which is herein authorized, 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 hydro-electric power plants, transmission lines and properties appurtenant thereto.

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

6.-- Pacific Gas and Electric Company shall keep such record of the issue and disposition of the bonds, notes and stock herein authorized and of the use 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 No. 24, which order, in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED, that the order in Decision Number 7452, dated April 21, 1920, shall remain in full

force and effect, except as modified by this First Supplemental Order.

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

Dated at San Francisco, California, this 29<sup>th</sup>  
day of June, 1920.

H. D. Loveland  
Frank Levin  
H. R. Bundege

Commissioners.