

ORIGINAL

Decision No. 864

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :
of PACIFIC GAS AND ELECTRIC COMPANY :
for an order amending orders hereto- : Application No. 676.
fore made by this Commission upon :
Applications Nos. 552 and 603. :

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

LOVELAND, Commissioner.

OPINION

On May 15, 1913, this Commission issued an order upon Application No. 552 authorizing Pacific Gas and Electric Company to execute a mortgage of its property to Savings Union Bank & Trust Company, of San Francisco, as trustee, and to issue thereunder \$5,000,000.00 of its six per cent ten-year convertible debentures.

This order authorized also the pledge of all, or a portion, of these debentures as collateral security for a loan or loans, and authorized also an issue of common stock in exchange for these debentures under that portion of the mortgage providing for such conversion.

On June 20, 1913, this Commission issued an order upon Application No. 603 authorizing Pacific Gas and Electric Company to issue \$5,000,000.00 of its thirty-year five per cent general and refunding mortgage bonds, and to pledge a portion of said bonds.

Pacific Gas and Electric Company now applies to this Commission for an order amending the authorizations heretofore given upon Applications Nos. 552 and 603.

Applicant states that it has found it inadvisable in the present depressed condition of the money market to sell the bonds or debentures heretofore authorized, and that it has determined to issue collateral trust notes.

The applicant states further that it has been found inadvisable to execute the convertible debenture mortgage to Savings Union Bank & Trust Company, of San Francisco, and it proposes, in lieu thereof, to execute a general lien mortgage and to issue thereunder convertible general lien bonds in lieu of convertible debentures previously authorized by this Commission.

The evidence indicates that in all of the more essential particulars the provisions of the general lien mortgage are identical with those of the convertible debenture mortgage. The principal changes consist of a substitution of trustee and in somewhat stricter regulation of future issues under this mortgage.

The general plan of financing, which the applicant proposes to pursue, contemplates the deposit of \$5,000,000.00 of general and refunding bonds and a deposit of \$5,000,000.00 of general lien bonds as security for collateral trust notes in the aggregate not to exceed \$7,000,000.00. These notes will mature on June 25, 1914.

The applicant states that this form of financing is adopted merely to meet the exigencies of the situation, and that it plans within the year to finance itself with long term obligations. Obviously this form of financing is not one which the Commission cares to encourage. The applicant herein has offered evidence, however, of its firm intention to substitute for this temporary device a broad financial plan.

The applicant has suspended dividends on its common stock which have heretofore called for an annual outlay in excess of \$1,500,000.00, and this money will be available for other corporate purposes.

The applicant states that it is its purpose to devote the proceeds from the sale or pledge of its general lien bonds and its general and refunding bonds to the same purposes for which the convertible debentures and the general and refunding bonds were

authorized to be issued in this Commission's orders upon applications Nos. 552 and 603.

Applicant herein asks specifically for an order granting authority as follows:-

(1) To execute in lieu of the debenture mortgage, heretofore authorized, its general lien mortgage and the supplemental agreement thereto.

(2) To sell \$5,000,000.00 of its six per cent ten-year convertible general lien bonds at not less than ninety-five per cent of their face value in lieu of the \$5,000,000.00 of convertible debentures heretofore authorized.

(3) To pledge said six per cent convertible general lien bonds as security for certain demand notes and collateral trust notes.

(4) To issue its common stock in exchange for said six per cent convertible general lien bonds, in accordance with the terms of its general lien mortgage.

(5) To pledge its general and refunding mortgage bonds, in the sum of \$5,000,000.00, as collateral security for certain demand notes and collateral trust notes.

(6) To execute demand notes to the amount of \$4,500,000.00 upon the collateral security of \$5,000,000.00 of general lien bonds and \$5,200,000.00 of general and refunding bonds, said notes to bear interest at not to exceed six per cent.

Applicant has now outstanding a demand note for \$1,192,500.00 and asks for authority to refund this note with new demand notes.

It is the purpose of applicant, also, at a later date, to refund its demand notes in the sum of \$4,500,000.00 by an issue of collateral trust notes in the same sum, and to issue thereafter \$2,500,000.00 of additional collateral trust notes.

Applicant testifies that the collateral trust notes and the demand notes which it desires to issue will mature within a period of one year, but as bonds, the issue of which is subject to the jurisdiction of the Commission, are to be hypothecated as collateral security for these notes, the terms and conditions of such notes are proper subjects for consideration herein.

In General Order No. 35, this Commission held that a demand note would require a regular authorization.

The other five proposals require an amendment of orders previously issued by this Commission. I believe that the previous orders may be amended so as to make possible the form of financing now proposed by applicant. This authority is given in view of the financial conditions now existing, and in view also of the expressed intention of the applicant herein to discontinue paying dividends and devote its earnings to the liquidation of indebtedness, and to the construction of additional facilities, and by reason of the further intention of the applicant herein within the year to lay out a financial plan, which will admit of long term financing.

I recommend that the application be granted and submit the following form of Order:-

ORDER

Pacific Gas and Electric Company having applied to this Commission for authority:

(1) To execute, in lieu of the debenture mortgage to Savings Union Bank & Trust Company, of San Francisco, as heretofore authorized by this Commission in its order upon Application No. 552, a general lien mortgage to Guaranty Trust Company of New York and William C. Cox, as Trustees, dated July 1, 1913, a

copy of which is on file with this Commission in the application herein and marked Exhibit No. 5; and an agreement supplemental thereto between Pacific Gas and Electric Company, Guaranty Trust Company of New York and William C. Cox, Harris Forbes & Company and H. W. Halsey & Company and Bankers Trust Company, dated July 1, 1915, substantially in the form of a copy of said agreement on file with this Commission in the application herein and marked Exhibit 4;

(2) To issue and sell \$5,000,000.00 of its six per cent ten-year convertible general lien bonds, under said mortgage, to Guaranty Trust Company of New York and William C. Cox, as Trustees, and said supplemental agreement thereto, in lieu of \$5,000,000.00 of six per cent ten-year convertible debentures heretofore authorized in this Commission's order upon Application No. 552, and to sell said \$5,000,000.00 of convertible general lien bonds at not less than ninety-five per cent of the par value thereof;

(3) To pledge said six per cent convertible general lien bonds as collateral security for \$4,500,000.00 of demand notes, and as collateral security for collateral trust notes;

(4) To issue its common stock in exchange for any or all of said six per cent convertible general lien bonds, upon the terms of said general lien mortgage, providing for the conversion of said general lien bonds into common stock upon the basis of not less than \$80.00 per share for said common stock;

(5) To pledge its general and refunding mortgage bonds of the par value of \$5,000,000.00 as collateral security for certain demand notes, and as security for certain collateral trust notes;

(6) To execute demand notes to the amount of \$4,500,000.00 upon the collateral security of \$5,000,000.00 of general lien bonds, as above noted;

And a hearing having been held;

IT IS HEREBY ORDERED: That Pacific Gas & Electric Company be given authority, and it is hereby given authority, to execute its general lien mortgage to Guaranty Trust Company of New York, and William C. Cox, as Trustees, substantially in the form of a copy of [said general lien mortgage on file with this Commission in connection with the application herein and marked Exhibit No. 5; and to execute an agreement supplemental thereto between Pacific Gas and Electric Company, Guaranty Trust Company of New York and William C. Cox, Harris Forbes & Company and E. W. Halsey & Company and Bankers Trust Company, substantially in the form of a copy of said agreement on file with this Commission in connection with the application herein and marked Exhibit No. 4.

IT IS FURTHER ORDERED: That Pacific Gas and Electric Company be given authority, and it is hereby given authority, to issue \$5,000,000.00 face value of its six per cent ten-year convertible general lien bonds, under said general lien mortgage, dated July 1, 1913, and said agreement supplemental thereto, said bonds maturing on July 1, 1923.

IT IS FURTHER ORDERED: That Pacific Gas and Electric Company be given authority, and it is hereby given authority, to pledge its six per cent convertible general lien bonds, herein authorized to be issued, as collateral security for demand notes in the sum of \$4,500,000.00 under agreements between Pacific Gas and Electric Company and Harris Forbes & Company and E. W. Halsey & Company, dated June 28, 1913 and July 15, 1913; and as collateral security for an issue of collateral trust notes, dated July 1, 1913 and maturing June 25, 1914, under said agreements entered into between Pacific Gas and Electric Company and Harris Forbes & Company and E. W. Halsey & Company, dated June 28, 1913 and July 15, 1913.

IT IS FURTHER ORDERED: That Pacific Gas and Electric Company be authorized, and it is hereby authorized, to issue its common stock in exchange for any of said six per cent convertible general lien bonds, in accordance with the terms of said general lien mortgage.

IT IS FURTHER ORDERED: That Pacific Gas and Electric Company be given authority, and it is hereby given authority, to pledge its general and refunding mortgage bonds of the par value of \$5,000,000.00, heretofore authorized by this Commission, in its Order upon Application No. 603, as collateral security for an issue of demand notes under the terms of its agreements with Harris Forbes & Company and N. W. Halsey & Company, dated June 28, 1913 and July 15, 1913; and as collateral security for an issue of collateral trust notes, dated July 1, 1913 and maturing June 25, 1914, under the terms of its said agreements with Harris Forbes & Company and N. W. Halsey & Company, dated June 28, 1913 and July 15, 1913.

IT IS FURTHER ORDERED: That Pacific Gas and Electric Company be authorized, and it is hereby given authority, to execute its demand notes to the amount of \$4,500,000.00 upon the collateral security of \$5,000,000.00 of general lien bonds, as hereinbefore set forth.

IT IS FURTHER ORDERED: That the Order of this Commission upon Application No. 603, dated June 20, 1913, be amended to the end that the \$5,000,000.00 of general and refunding mortgage bonds therein authorized to be issued, may be pledged as collateral security for notes in accordance with the Order herein.

IT IS HEREBY ORDERED: That the proceeds from the sale or pledge of said \$5,000,000.00 of general and refunding bonds be used only for the purposes specified in this Commission's Order, dated June 20, 1913, upon Application No. 603.

IT IS HEREBY ORDERED: That the proceeds from the sale or pledge of said \$5,000,000.00 of convertible general lien bonds, herein authorized to be issued, be used only for the purposes specified in this Commission's Order, dated May 15, 1913, upon Application No. 552.

IT IS HEREBY ORDERED: That the authority herein given to issue or pledge said \$5,000,000.00 of convertible general lien bonds is given in lieu of the authority given in this Commission's Order, dated May 15, 1913, upon Application No. 552, and the \$5,000,000.00 of convertible general lien bonds, herein authorized to be issued, shall be in substitution and not in addition to the said issue of \$5,000,000.00 of convertible debentures.

IT IS HEREBY ORDERED: That Pacific Gas and Electric Company be authorized, and it is hereby authorized, to issue such common stock as may be required under its general lien mortgage in exchange for such convertible general lien bonds as are herein authorized to be issued.

The authority herein given to issue or pledge said \$5,000,000.00 of convertible general lien bonds and to pledge \$5,000,000.00 of general and refunding bonds is given upon the following conditions and not otherwise:-

(1) Pacific Gas and Electric Company shall file a statement with this Commission to the effect that its proposed mortgage to Savings Union Bank & Trust Company, of San Francisco, to secure an issue of \$5,000,000.00 of its six per cent ten-year convertible debentures has not been executed, that no convertible debentures have been issued, and that it is the intention of the company not to execute said debenture mortgage to Savings Union Bank & Trust Company, of San Francisco, nor to issue said convertible debentures.

The authority heretofore given the Pacific Gas and Electric Company to execute its proposed mortgage to the Savings Union Bank and Trust Company, of San Francisco, and to issue there-

under \$5,000,000.00 of six per cent ten-year convertible debentures, is hereby cancelled.

(2) The \$5,000,000.00 of general lien bonds, herein authorized to be issued, shall be sold at a price which shall net applicant not less than ninety-five per cent of the face value thereof, plus accrued interest thereon.

(3) The stock herein authorized to be issued shall be issued only in exchange for said general lien bonds herein authorized, and said stock shall be issued at not less than \$80.00 per share, and on such terms and conditions as are prescribed in applicant's general lien mortgage to Guaranty Trust Company of New York, and William C. Cox, as Trustees, to which reference has heretofore been made.

(4) The authority herein given to sell or hypothecate said general lien bonds and to hypothecate said general and refunding bonds, shall apply to said general lien bonds and to said general refunding bonds as shall be sold or hypothecated before July 1, 1914.

(5) Pacific Gas and Electric Company shall file with this Commission monthly statements showing the number of general lien bonds and of general and refunding bonds which may be pledged as collateral security for demand notes and collateral trust notes and the amount of demand or collateral trust notes issued therefor, the maturities and rates of interest of said notes.

(6) Pacific Gas and Electric Company shall file with this Commission each month a statement of all stock issued under the Order herein, and the conditions of such issue and the amount of said general lien bonds converted into stock.

(7) Pacific Gas and Electric Company shall keep separate, true and accurate accounts, showing the receipt and application of the proceeds of the sale of the stock and the sale or

pledge of the general lien bonds herein authorized to be issued and of the pledge of the general and refunding bonds herein authorized to be pledged; and on or before the twenty-fifth day of each month, it shall make verified reports to this Commission stating sales, pledge, or the conversion of said stock, general lien bonds and general and refunding bonds during the preceding month, the terms and conditions of sales, the moneys or properties 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.

(8) The authority herein given to issue stock; to issue and pledge general lien bonds and to pledge general and refunding bonds shall apply only to such stock, general lien bonds and general and refunding bonds as may be sold or pledged on or before July 1, 1914.

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 11th day of August, 1913.

Handwritten signatures:
H. L. ...
Mar. ...
Edwin D. Edgerton

Commissioners.

Handwritten note:
Paid
on Dec. 673.
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