

Decision No. 28134

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC GAS AND ELECTRIC COMPANY,)
a corporation, for an order of the)
Railroad Commission of the State of)
California authorizing applicant to)
issue and sell \$45,000,000. face amount)
of its First and Refunding Mortgage)
Bonds, Series G, 4%, due December 1,)
1964, and to use the proceeds for the)
purposes specified in this petition.)

Application No. 19876

BY THE COMMISSION:

ORIGINAL

FIRST SUPPLEMENTAL OPINION

Under the authority granted by Decision No. 27837 dated March 22, 1935, in the above entitled matter, Pacific Gas and Electric Company issued and sold \$45,000,000. of first and refunding mortgage, Series G, 4% bonds due December 1, 1964, at 97 and accrued interest or for a consideration of \$43,650,000., exclusive of accrued interest. The Commission's order authorized the company to use the proceeds from \$44,836,000.00 of said bonds to redeem on June 1, 1935 outstanding 5½% bonds and the proceeds from \$164,000.00 of said bonds to reimburse its treasury.

On June 1, 1935 applicant redeemed \$44,836,000.00 of its first and refunding mortgage, Series C, 5½% bonds entailing an expenditure of \$48,310,790.00. The \$48,310,790.00 includes \$44,836,000. of principal, \$1,232,990.00 interest and \$2,241,800.00 premium. To redeem the 5½% bonds applicant used treasury funds in the sum of \$4,819,870. At the time of the redemption of the 5½% bonds, the unamortized discount and expense applicable to such issue was \$1,847,627.13. As stated, the premium paid on the bonds was \$2,231,800.00 which, added to the \$1,847,627.13 makes a total of

\$4,079,427.13. Under our accounting regulations the \$4,079,427.13 which has actually been expended by the company is a charge to profit and loss.

The company in a supplemental application filed June 14, 1935, asks that it be relieved from making such charge. It asks permission to charge the \$4,079,427.13 to bond discount and expense and write it off over the period June 1, 1935 to December 1, 1964. As stated, the \$4,079,427.13 of cash has actually been expended. The question now presented is how it shall be recorded for accounting purposes. If it is charged to profit and loss, one entry will dispose of the matter. If it is charged to unamortized debt discount and expense it is written off by annual credits to Account 433, Amortization of Debt Discount and Expense. The annual write off thus becomes an income account deduction, and reduces the amount available for dividends and profit and loss. The amount credited to Account 433 gradually returns to the company's treasury the \$4,079,427.13 of cash paid out at the time the 5½% bonds were redeemed.

We have considered applicant's request and believe that if considered purely as a matter of accounting convenience, it may be granted. However, such permissive orders of the Commission relating to the manner in which accounting entries may be made should not be taken as depriving the Commission of the power to withdraw its permit at any time or as binding it to the acceptance of such accounting entries if involved in other proceedings.

FIRST SUPPLEMENTAL ORDER

The Commission having considered applicant's request and being of the opinion that such request should be granted subject to the provisions of this opinion and order, therefore,

IT IS HEREBY ORDERED that Decision No. 11353 dated December 13, 1922 and Decision No. 12691 dated October 13, 1923 be, and the same are hereby modified so as to permit Pacific Gas and Electric Company, until otherwise directed, to charge to Account 131, Unamortized Debt Discount and Expense, the \$4,079,427.13 referred to in the foregoing supplemental opinion and amortize it between the period of June 1, 1935 and December 1, 1964.

DATED at San Francisco, California, this 23rd day of July, 1935.

W. B. Lewis

W. B. Lewis

Frank R. Taylor

Commissioners.