

Decision No. 28231

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 \$20,000,000.00 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.

ORIGINAL

Application No. 20149

Wm. B. Bosley, C. P. Cutten and R.W.DuVal,
for applicant.

BY THE COMMISSION:

O P I N I O N

The Commission is asked to authorize Pacific Gas and Electric Company to issue and sell at not less than the face amount thereof plus accrued interest, \$20,000,000.00 of 4% first and refunding mortgage bonds of Series G due December 1, 1964, and use the proceeds, exclusive of accrued interest, to pay in part the cost of redeeming \$20,225,000.00 of 5% first and refunding mortgage ^{gold} bonds of Series D.

Under the authority granted by Decision No. 14980 dated May 27, 1925 in Application No. 11142 applicant issued and sold for \$9,125,000.00, exclusive of accrued interest, \$10,000,000.00 of its 5% first and refunding mortgage gold bonds of Series D due June 1, 1955.

Under the authority granted by Decision No. 16557 dated April 26, 1926 in Application No. 12778 applicant issued and sold for \$9,475,000.00, exclusive of accrued interest, \$10,000,000.00 of its 5% first and refunding mortgage gold bonds of Series D, due June 1, 1955.

Under the authority granted by Decision No. 17202 dated August 11, 1926 in Application No. 13044 applicant issued and sold for \$250,000.00, exclusive of accrued interest, \$250,000.00 of its 5% first and refunding mortgage gold bonds of Series D, due June 1, 1955.

Under the authority granted by Decision No. 18744 dated August 19, 1927 in Application No. 13903, applicant issued and sold for \$225,000.00, exclusive of accrued interest, \$225,000.00 of its 5% first and refunding mortgage gold bonds of Series D due June 1, 1955.

Applicant reports that as of September 16, 1935, \$20,000,000.00 face amount of said Series D 5% bonds were outstanding in the hands of the public, while \$225,000.00 face amount of said Series D 5% bonds were pledged with the trustee of the Blue Lakes Water Company and \$250,000.00 face amount of said Series D 5% bonds have heretofore been retired and cancelled.

Applicant intends to redeem on December 1, 1935 its outstanding Series D 5% first and refunding mortgage gold bonds. On that date the said bonds are redeemable at par and accrued interest plus a premium of five (5) per cent. on the principal of the bonds redeemed. To obtain some of the funds necessary to redeem said Series D 5% bonds, applicant asks permission to issue and sell at not less than the face amount thereof, plus accrued interest, \$20,000,000.00 of its 4% first and refunding mortgage bonds, Series G, due December 1, 1964. The said Series G bonds will be redeemable, at applicant's option, on sixty days' prior published notice on any first day of June or first day of December at par and accrued interest, plus a premium of 10 per cent. on the principal sum specified therein, if redeemed on or prior to December 1, 1944, plus a premium of 5 per cent. on the principal sum specified therein if redeemed after December 1, 1944 and on or before December 1, 1954, plus a premium of 2-1/2 per cent. on the principal

sum specified therein if redeemed after December 1, 1954 and on or before December 1, 1959, and thereafter at par and accrued interest, upon the terms and conditions set forth in said First and Refunding Mortgage with respect to redemption of bonds of Series A.

Applicant reports that on November 30, 1935 the unamortized discount and expense applicable to its said Series D 5% bonds will be the sum of \$961,308.54, while the premium it must pay to redeem said Series D 5% bonds will amount to \$1,011,250.00, the two amounts aggregating \$1,972,558.54. Applicant asks permission to amortize the \$1,972,558.54 over the remaining life of its first and refunding mortgage bonds of Series G, namely, during the period December 1, 1935 to December 1, 1964. We have considered this part of applicant's request and believe that if it is considered purely as a matter of accounting convenience, it may be granted. However, such 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.

ORDER

Pacific Gas and Electric Company having asked permission to issue and sell \$20,000,000.00 face amount of its first and refunding mortgage bonds and amortize bond discount, expense and premium, as indicated in the foregoing opinion, the Commission having considered applicant's requests and being of the opinion that a public hearing is not necessary in this matter and that the money, property or labor to be procured or paid for through the issue of such bonds is reasonably required for the purposes herein specified, and that the expenditures for such purposes are not in whole or in part reasonably charge-

able to operating expenses or to income, and that this application should be granted, as herein provided, therefore-

IT IS HEREBY ORDERED as follows:-

1. Pacific Gas and Electric Company may issue and sell on or before December 1, 1935 at not less than the face amount thereof, plus accrued interest, \$20,000,000.00 face amount of its first and refunding mortgage bonds of Series G, to mature December 1, 1964, to bear interest at the rate of 4% per annum payable semi-annually on June 1, and December 1, to be redeemable, at applicant's option, in whole or in part, on sixty(60) days' prior published notice, on any first day of June or first day of December, at par and accrued interest, plus a premium of 10% on the principal sum specified therein if redeemed on or prior to December 1, 1944, plus a premium of 5% on the principal sum specified therein if redeemed after December 1, 1944 and on or before December 1, 1954, plus a premium of 2-1/2% on the principal sum specified therein if redeemed after December 1, 1954 and on or before December 1, 1959, and thereafter at par and accrued interest, upon the terms and conditions set forth in said first and refunding mortgage dated December 1, 1920, with respect to the redemption of bonds of Series A, to be executed and authenticated under and in accordance with the provisions of said first and refunding mortgage and the supplemental indenture thereto; all of said bonds, except fully registered bonds, to bear date December 1, 1934.
2. Pacific Gas and Electric Company shall use the proceeds, exclusive of accrued interest, to be derived through the issue and sale of said \$20,000,000.00 face amount of said first

and refunding mortgage bonds of Series G to pay in part the cost of redeeming \$20,225,000.00 face amount of its first and refunding mortgage 5% gold bonds of Series D.

3. Pacific Gas and Electric Company may, pending the preparation and delivery of definitive bonds, execute, authenticate and deliver in lieu of such definitive bonds, temporary bonds, such temporary bonds to be issued and sold under the same terms and conditions as applicant is herein authorized to issue and sell its Series G bonds.
4. Pacific Gas and Electric Company shall on or before March 31, 1936 file with the Railroad Commission a statement showing in detail the expenses incurred by it because of the issue and sale of said \$20,000,000.00 of Series G bonds.
5. If Pacific Gas and Electric Company issues and sells the said \$20,000,000.00 of Series G bonds, it shall file with the Commission within thirty (30) days after the sale of said bonds; (a) a copy of the prospectus under which said bonds are being distributed by the underwriters and (b) a copy of the contract between said Pacific Gas and Electric Company and the said underwriters.
6. Pacific Gas and Electric Company shall keep such record of the issue of the bonds herein authorized and of the disposition of the proceeds as will enable it to file within thirty (30) days thereafter, a report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
7. The authority herein granted will become effective upon the date hereof.

8. 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 No. 131, unamortized debt discount and expense, the \$1,972,558.54, referred to in the foregoing opinion and amortize it between the period of December 1, 1935 and December 1, 1964.

DATED at San Francisco, California, this 17th day of September, 1935.

Leon Whaley

M. J. Linn

W. B. Harris

Frank D. Hill

Commissioners.