

Decision No. 28626

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 \$90,000,000. face amount of)
its First and Refunding Mortgage)
Bonds, Series H, 3-3/4%, due Decem-)
ber 1, 1961, and to use the proceeds)
for the purposes specified in this)
petition.)

Application No. 20412

ORIGINAL

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

BY THE COMMISSION:

O P I N I O N

Pacific Gas and Electric Company has applied to the Railroad Commission for permission to issue and sell, at not less than their face amount plus accrued interest, \$90,000,000. of its first and re-funding mortgage bonds, Series H, 3-3/4%, due December 1, 1961.

The company asks further permission to use the proceeds, other than accrued interest, to be derived through the issue and sale of \$88,279,000. of said bonds to pay in part the cost of redeeming on June 1, 1936, \$88,279,000. of bonds now outstanding and to use the proceeds, other than accrued interest, to be derived through the issue and sale of the remaining \$1,721,000. of said bonds to reimburse its treasury, in part, on account of capital expenditures and advances and loans to affiliated companies made up to September 30, 1934, and/or to pay in part the cost of constructing additions, extensions, betterments and improvements to its facilities and to those of Mt. Shasta Power Corporation.

The bonds to be redeemed are as follows:-

Northern California Power Company, Consolidated:	
Refunding and consolidating 5's, due Dec. 1, 1948	\$3,694,000.
Pacific Gas and Electric Company:	
First and refunding mortgage bonds-	
Series E, 4½'s, due June 1, 1957	34,975,000.
Series F, 4½'s, due June 1, 1960	<u>49,610,000.</u>
Total.....	<u>\$88,279,000.</u>

The records of the Commission show that during 1919, pursuant to authority granted by Decision No. 6681, dated September 23, 1919, applicant acquired the properties of Northern California Power Company, Consolidated, and in doing so assumed the payment of that company's obligations, including \$3,964,000. of its refunding and consolidating bonds, which bonds, it is reported in this application, had been issued prior to the enactment of the Public Utilities Act. Under the authority granted by the Commission in Decision No. 7055 dated January 26, 1920, Northern California Power Company, Consolidated, issued \$468,000. of bonds, making a total of \$4,432,000. of said bonds. \$738,000. face amount have been retired, leaving \$3,694,000. now outstanding. These bonds are callable for payment on June 1, 1936 at 110 percent. of face value, necessitating a cash payment of \$4,063,400.

The first and refunding mortgage bonds, Series "E" and "F", of Pacific Gas and Electric Company, were issued under authorizations given by the Commission. By Decisions Nos. 18815, 19304, 22708, 23271 and 25053 the Commission authorized the company to issue, in the aggregate, \$35,000,000. of the Series "E" bonds and \$50,500,000. of the Series "F" bonds, a total of \$85,500,000. Following the various dates of issue the company retired \$25,000. of the Series "E" bonds and \$890,000. of the Series "F" bonds, leaving \$34,975,000. of the former and \$49,610,000. of the latter now outstanding. These bonds are callable for payment on June 1, 1936 at 105 percent. of face value, necessitating a total cash payment of \$88,814,250.

The total required to pay the three issues of bonds, amounting to \$88,279,000. face value, as now proposed, is the sum of \$92,877,650. To provide itself with part of the money necessary, applicant has created a new series of first and refunding mortgage bonds, to be designated, Series "H" 3-3/4% due December 1, 1961, and^{proposes} to sell at this time \$90,000,000. thereof at not less than face value plus accrued interest. It proposes, as stated above, to apply the proceeds from the sale of \$88,279,000. of said \$90,000,000. of bonds, to pay in part the redemption costs of the bonds to be retired, and to apply the proceeds from the remaining \$1,721,000. of bonds to reimburse its treasury because of surplus earnings used for capital additions and advances and loans to subsidiary companies.

The Series "H" bonds will be dated as of December 1, 1935, will mature on December 1, 1961, will bear interest at the rate of 3-3/4% per annum and will be redeemable, at applicant's option, on sixty(60) days notice, as a whole or in lots of the aggregate face amount of not less than \$10,000,000., for other than sinking fund purposes, on the first day of any calendar month, and in smaller lots and for sinking fund purposes on any first day of June or any first day of December, at face value and accrued interest to the date of redemption, and a premium as follows:-

10%	on or before December 1, 1941.
7 1/2%	after December 1, 1941 and on or before December 1, 1946.
5%	after December 1, 1946 and on or before December 1, 1951.
2 1/2%	after December 1, 1951 and on or before December 1, 1956.
2%	after December 1, 1956 and on or before December 1, 1957.
1 1/2%	after December 1, 1957 and on or before December 1, 1958.
1%	after December 1, 1958 and on or before December 1, 1959.
1/2%	after December 1, 1959 and on or before December 1, 1960.

After December 1, 1960 the bonds will be redeemable at face value plus accrued interest.

It is of record that there will remain on the company's books on June 1, 1936 the sum of \$4,072,468. representing unamortized discount and expense applicable to the three issues of bonds to be paid on that date, and that the premiums necessary to call said bonds will amount

to \$4,598,650., the two items aggregating \$8,671,118. Applicant desires, and accordingly asks, permission to amortize the \$8,671,118. over the remaining life of the new series "H" bonds, that is, over the period from June 1, 1936, to December 1, 1961. For accounting convenience this request may be granted. However, such permissive order by 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.

In connection with the request to apply the proceeds from the sale of \$1,721,000. of bonds to reimburse its treasury, the company refers to and incorporates in this proceeding its application, No. 19788, filed with the Commission on January 17, 1935, wherein it reported, as shown in some detail in that application, that it, and Mt. Shasta Power Corporation, its wholly owned subsidiary, had actual and estimated expenditures of \$50,798,070.74 for capital purposes and for advances and loans to subsidiary companies. To meet in part such expenditures the Commission heretofore has authorized the company to use \$16,204.66 due on subscriptions for shares of stock and \$30,759,080. received from the sale of Series "G" bonds authorized by Decisions Nos. 27837 and 28053. Except for these amounts the Commission has not authorized the company to use stock and bonds, or the proceeds therefrom, to finance the reported expenditures of \$50,798,070.74 and it appears that it can at this time authorize the use of the proceeds from the sale of the \$1,721,000. of Series "H" bonds, as requested in this proceeding, to finance in part, such expenditures contained in said \$50,798,070.74 as are properly chargeable to investment and fixed capital accounts as such accounts are defined in the system of accounts prescribed by the Commission.

O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$90,000,000. of bonds, and for other authority as indicated in the foregoing opinion, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. Pacific Gas and Electric Company may issue and sell, on or before June 1, 1936 at not less than their face value plus accrued interest, not exceeding \$90,000,000. of its first and refunding mortgage bonds, Series "E", 3-3/4% due December 1, 1961, and may, pending the preparation and delivery of definitive bonds in the amount of not exceeding said \$90,000,000., authenticate and deliver in lieu of said definitive bonds, temporary bonds, such temporary bonds to be issued and sold under the same terms and conditions as said definitive bonds.
2. Pacific Gas and Electric Company shall use the proceeds, other than accrued interest, to be derived through the issue and sale of \$88,279,000. face amount of the said \$90,000,000. of Series "E" bonds herein authorized to be issued and sold, to pay in part the cost of redeeming \$3,694,000. of Northern California Power Company, Consolidated, refunding and consolidating mortgage 5% bonds, \$34,975,000. of Pacific Gas and Electric Company first and refunding mort-

gage bonds, Series "E", and \$49,610,000. of Pacific Gas and Electric Company first and refunding mortgage bonds, Series "F", referred to in the foregoing opinion, and shall use the proceeds to be derived through the issue and sale of the remaining \$1,721,000. of said Series "E" bonds, other than accrued interest, to reimburse its treasury, in part, on account of capital expenditures and advances and loans made to affiliated companies up to and including September 30, 1934, and/or to pay in part the cost of constructing the additions, extensions, betterments and improvements to its facilities and to those of Mt. Shasta Power Corporation, as shown in Application No. 19788, provided that such proceeds may be used to finance only such expenditures as are properly chargeable to investment and fixed capital accounts as defined in the uniform system of accounts prescribed by the Commission. The accrued interest may be used for general corporate purposes.

3. Decision No. 11353, dated December 13, 1922, and Decision No. 12691, dated October 13, 1923, are hereby modified so as to permit Pacific Gas and Electric Company, unless and until otherwise directed, to amortize on or before December 1, 1961, the amount of the unamortized discount and expense applicable to the bonds to be paid and redeemed on June 1, 1936, referred to in this order, and the premium to be paid in connection with the redemption of such bonds.
4. Pacific Gas and Electric Company shall file within thirty(30) days after the issue of the bonds herein authorized; (1) a report of such issue and of the disposition of the proceeds, as required by the Commission's General Order No. 24, which order insofar as applicable, is made a part of this order; (2) a copy of the prospectus under which said

bonds are offered for sale by the underwriters; and (3) a copy of the contract between applicant and the underwriters.

5. Pacific Gas and Electric Company shall file on or before December 31, 1936, a statement showing in detail the expenses incurred by it because of the issue and sale of the bonds herein authorized.
6. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Three Thousand, Two Hundred Seven and Fifty Hundredths (\$3,207.50) Dollars.

DATED at San Francisco, California, this 16th day of March, 1936.

W B Davis
Leon White
W A Can
W H. H. H. H.

Commissioners.

Fee # 3207⁵⁰/₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
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J. M. H. H. H.
Fee # 32367