

Decision No. 29155

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 \$35,000,000. face amount of its
First and Refunding Mortgage Bonds,
Series I, 3½% due June 1, 1966, and
to use the proceeds for the purposes
specified in this petition.

ORIGINAL

Application No. 20781

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 an order authorizing it to issue and sell, at not less than face value plus accrued interest, \$35,000,000. of its first and refunding mortgage bonds, Series I, 3½%, due June 1, 1966, for the purpose of financing in part the cost of redeeming \$35,780,000. of its general and refunding mortgage 5% gold bonds, Series A, due January 1, 1942.

The application shows that as of December 1, 1911 the company executed its general and refunding mortgage to secure the payment of an authorized issue of \$150,000,000. of 5% bonds due January 1, 1942, of which there now are outstanding \$121,206,000. face amount, consisting of \$84,384,000. pledged with the California trustee of its first and refunding mortgage, \$1,040,000. pledged with the trustee of the first mortgage of Blue Lakes Water Company, \$2,000. in its treasury and \$35,780,000. in the hands of the public.

All of said bonds, applicant alleges, with the exception of \$20,000,000. face amount issued and sold prior to the effective date of the Public Utilities Act, were so issued, pledged or sold pursuant to permission heretofore granted by the Commission.

The company reports that it intends to procure or cause the cancellation of the aforesaid general and refunding mortgage bonds deposited with the trustees and those held in its own treasury, and to call and redeem on January 1, 1937 the \$35,780,000. of bonds now in the hands of the public. Such bonds, by the terms of the general and refunding mortgage, will be redeemable on that date at their face value thereof and accrued interest.

For the purpose of providing itself with part of the money necessary to effect the redemption, applicant has created and proposes to issue and sell at not less than face value plus accrued interest, a new series of bonds, in the aggregate face amount of \$35,000,000., to be issued under the terms and provisions of its first and refunding mortgage of December 1, 1920. Such bonds will be designated Series I, will bear interest at the rate of $3\frac{1}{2}\%$ per annum, payable semi-annually on June 1 and December 1, will mature on June 1, 1966 and will be redeemable for other than sinking fund purposes at the option of the company either as a whole or in lots of the aggregate face amount of not less than \$10,000,000. on the first day of any calendar month, or in lesser amounts on any first day of June or first day of December, and will also be redeemable for the sinking fund on any first day of June or first day of December, at par and accrued interest plus a premium of $7\frac{1}{2}\%$ if redeemed on or before June 1, 1945; of 5% if redeemed after June 1, 1945 and on or before June 1, 1953; of $2\frac{1}{2}\%$ if redeemed after June 1, 1953 and on or before June 1, 1961; and thereafter at par and accrued interest. The remaining funds necessary to complete the transaction will be

obtained from applicant's treasury. The company estimates that the refunding program outlined in the application will result in annual savings in fixed charges in excess of \$325,000.

Applicant sets forth that at the close of business on December 31, 1936 the unamortized discount and expense applicable to the general and refunding mortgage bonds will be \$1,045,284.61 and that it is its plan and its request to amortize said sum over the remaining life of the new Series I bonds, that is, over the period from January 1, 1937 to June 1, 1966.

For accounting convenience this request will be granted and the order herein will relieve the company from charging the \$1,045,284.61 forthwith to surplus upon the redemption of its bonds. Such an order, however, is permissive only and should not be taken as depriving the Commission of the power to withdraw its permission at any time or as binding it to the acceptance of the entries accounting for the amortization if involved in other proceedings or determinations.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$35,000,000. of bonds and for other permission as indicated herein, 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, and that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. Pacific Gas and Electric Company may issue and sell, on or before February 28, 1937, at not less than their face value plus accrued interest, \$35,000,000. face amount of its first and refunding mortgage bonds, Series I, 3½%, due June 1, 1966, and may, pending the preparation and delivery of definitive bonds, execute, authenticate and deliver temporary bonds in lieu of such definitive 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 said \$35,000,000. of Series I bonds herein authorized, to pay in part the cost of redeeming its general and refunding mortgage bonds. 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 June 1, 1966 the amount of unamortized discount and expense applicable to the general and refunding mortgage bonds to be redeemed on January 1, 1937.

4. Pacific Gas and Electric Company shall file within thirty (30) days after the issue of the bonds herein authorized a report of the issue of the bonds and of the disposition of the proceeds, as required by the Commission's General Order No. 24-A, which order insofar as applicable, is made a part of this order.

5. Pacific Gas and Electric Company shall file on or before June 30, 1937 a statement showing in detail the expenses incurred by it because of the issue and sale of the bonds herein authorized and the accounts to which such expenses were charged.

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 Eight Thousand (\$8,000.) Dollars and when applicant has filed with the Railroad Commission a copy of the Series I bond registration statement and exhibits, referred to therein filed with the Securities and Exchange Commission.

HGM
DATED at San Francisco, California, this 30th day of ~~September~~
~~October~~, 1936.

M. B. Harris
Leon A. Whidbey
W. H. Carr
W. H. Carr
Frank R. Dwyer
Commissioners.

