

Decision No. 33980

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY for an order of the Railroad Commission of the State of California, authorizing applicant (1) to issue not exceeding \$110,000,000 principal amount of First and Refunding Mortgage Bonds and to use the proceeds thereof for the purposes set forth in this petition; (2) to execute, acknowledge, deliver and record a Third Supplemental Indenture to applicant's First and Refunding Mortgage, dated December 1, 1920; and (3) to amortize on or before the date of maturity of said proposed bonds, the amount of the unamortized discount and expense applicable to, and the premium to be paid in connection with, the redemption on June 1, 1941 of Bonds of Series G, together with the unamortized discount, expense and premium applicable to associated and related issues of bonds of applicant and its former subsidiaries heretofore paid and redeemed.

ORIGINAL

Application No. 24012

Wm. B. Bosley and R. W. DuVal,  
for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application, as amended, Pacific Gas and Electric Company, hereinafter some times referred to as applicant, asks the Commission to enter its order authorizing applicant (1) to issue not exceeding \$110,000,000 principal

amount of first and refunding mortgage bonds, Series J, 3%, due December 1, 1970; (2) to execute, acknowledge, deliver and record a Third Supplemental Indenture to applicant's first and refunding mortgage, dated December 1, 1920, and (3) to amortize, on or before December 1, 1964, the amount of unamortized discount and expense applicable to, and the premium to be paid in connection with, the redemption on June 1, 1941 of first and refunding mortgage bonds, Series G, 4%, together with the unamortized discount, expense and premium applicable to associated and related issues of bonds of applicant and its former subsidiaries.

Pacific Gas and Electric Company, on December 31, 1940, had outstanding \$290,804,550 of stock, segregated as follows:

Common	\$156,533,925
Preferred 6%	104,941,550
Preferred 5½%	29,329,075

Applicant's funded debt in the hands of the public on December 31, 1940 amounted to \$286,637,000, and consisted of the following bonds:

Pacific Gas and Electric Company:

First and refunding mortgage bonds, Series B, 6s, due December 1, 1941	\$ 20,000,000	
First and refunding mortgage bonds, Series G, 4s, due December 1, 1964	91,428,000	
First and refunding mortgage bonds, <sup>1961</sup> Series H, 3-3/4s, due December 1, <del>1967</del>	116,236,000	<u>119M</u>
First and refunding mortgage bonds, Series I, 3½s, due June 1, 1966	50,000,000	

San Joaquin Light & Power Corporation:

Unifying and refunding mortgage bonds, Series B, 6s, due March 1, 1952	<u>8,973,000</u>
Total	<u>\$286,637,000</u>

Applicant may, at its option, on 60 days' prior published notice, on any first day of June or on any first day of December, redeem its Series G bonds at par and accrued interest, plus a premium of 10% on the principal of the bonds redeemed, if said bonds are redeemed on or before December 1, 1944; plus a premium of 5% on the principal of the bonds redeemed after December 1, 1944, and on or prior to December 1, 1954; plus a premium of 2½% on the principal of the bonds if redeemed after December 1, 1954, and on or before December 1, 1959; and thereafter at par and accrued interest.

Contingent upon the sale of said \$110,000,000 of first and refunding mortgage bonds, Series J, 3%, applicant proposes to redeem on June 1, 1941, its \$91,428,000 of first and refunding mortgage bonds, Series G, 4%. As indicated, on that date said Series G, 4%, bonds will be redeemable at 110% of the principal of the bonds and accrued interest. Exclusive of interest on said bonds, their redemption calls for an expenditure of \$100,570,800.

To provide itself with funds to redeem said Series G, 4%, bonds and to reimburse its treasury because of income expended for capital purposes prior to March 31, 1940, applicant asks permission to issue and sell at not less than par, said \$110,000,000 of first and refunding mortgage bonds, Series J, 3%. The Series J bonds will be dated December 1, 1940, and mature December 1, 1970. They will bear interest at the rate of 3% per annum, payable semi-annually.

The Series J, 3%, bonds are subject to redemption, in whole or in part, at the option of applicant, for other

than sinking fund purposes, at any time on 30 days' published notice, and for sinking fund purposes on any June 1 or December 1 on 60 days' published notice, at the principal amount thereof and accrued interest thereon plus a premium on such principal amount of six (6) per cent if redeemed on or before December 1, 1945, or of four and one-half ( $4\frac{1}{2}$ ) per cent if redeemed after December 1, 1945 and on or before December 1, 1950, or of three (3) per cent if redeemed after December 1, 1950 and on or before December 1, 1955, or of two and one-half ( $2\frac{1}{2}$ ) per cent if redeemed after December 1, 1955 and on or before December 1, 1960, or of two (2) per cent if redeemed after December 1, 1960 and on or before December 1, 1962, or of one and one-half ( $1\frac{1}{2}$ ) per cent if redeemed after December 1, 1962 and on or before December 1, 1964, or of three-quarters ( $3/4$ ) of one (1) per cent if redeemed after December 1, 1964 and on or before December 1, 1966, or of one-half ( $1/2$ ) of one (1) per cent if redeemed after December 1, 1966 and on or before December 1, 1968, or of one-eighth ( $1/8$ ) of one (1) per cent if redeemed after December 1, 1968 and on or before December 1, 1969, and thereafter without premium.

Through the reimbursement of applicant's treasury by the issue of said Series J, 3%, bonds, applicant will realize about \$10,000,000 to finance in part its 1941 construction expenditures. The gross of such expenditures is estimated at \$28,800,000.

Applicant asks permission to execute a Third Supplemental Trust Indenture supplementing its first and refunding mortgage, dated December 1, 1920. A copy of the proposed Third Supplemental Trust Indenture was filed at the hearing

as Exhibit 3. A revised copy of the Supplemental Trust Indenture was filed on March 10. The principal reason for executing the Supplemental Trust Indenture is the addition of further protective features to applicant's first and refunding mortgage as heretofore supplemented for the benefit of the holders of all of its outstanding bonds and to meet the requirements of the Trust Indenture Act of 1939 to the extent permitted by law. We have no objection to the terms and conditions of the proposed Supplemental Trust Indenture.

The testimony further shows that, as of June 1, 1941, applicant will have on its books \$9,304,544.43 of unamortized debt discount, expense and premium applicable to its Series G, 4% bonds, or to bonds refunded through the issue of said Series G, 4% bonds. Under decisions of the Commission or under the system of accounts prescribed by the Commission, applicant subject to the provisions of said decisions, may amortize said \$9,304,544.43 on or before December 1, 1964. It requests permission to amortize the premium, \$9,142,800, which it will be required to pay, upon the redemption of said Series G, 4% bonds, as well as the \$9,304,544.43, on or before December 1, 1964. For accounting purposes, we have no objection to applicant's plan of amortizing said bond discount, expense and premium. The Commission, however, reserves the right to determine whether the annual amortization charges should be included in the cost of money to applicant.

O R D E R

Examiner Fankhauser having held a hearing on the above entitled application, the Commission having considered the evi-

dence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of \$110,000,000 of first and refunding mortgage bonds, Series J, 3%, due December 1, 1970, by Pacific Gas and Electric Company, is reasonably required by said Pacific Gas and Electric Company for the purposes herein stated, that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may, after the effective date hereof and prior to June 1, 1941, issue and sell for not less than the par value thereof, plus accrued interest, \$110,000,000 face value of first and refunding mortgage bonds, Series J, 3%, due December 1, 1970, and use the proceeds, other than accrued interest, to redeem on or before June 1, 1941, \$91,428,000 of first and refunding mortgage bonds, Series G, 4%, and to reimburse its treasury in part on account of income expended for capital expenditures made prior to March 1, 1940. The accrued interest may be used for general corporate purposes.

2. Pacific Gas and Electric Company may, after the effective date hereof and prior to June 1, 1941, execute a Third Supplemental Trust Indenture substantially in the same form as the Third Supplemental Trust Indenture filed in this proceeding on March 10, 1941, provided that the authority herein granted to execute said indenture is for the purpose of this proceeding only and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said indenture as to such other legal requirements .

to which said indenture may be subject.

3. Decision No. 30269, dated October 25, 1937, as amended by Decision No. 30339, dated November 15, 1937, is hereby amended so as to permit Pacific Gas and Electric Company to amortize, on or before December 1, 1964, unamortized discount, expense and premium in the amount of \$18,447,344.43 applicable to said first and refunding mortgage bonds, Series G, 4%, or to bonds refunded through the issue of said first and refunding mortgage bonds, Series G, 4%, provided that the permission herein granted to amortize said \$18,447,344.43, on or before December 1, 1964, is granted for accounting purposes only and is not an admission by the Commission that the amortization of said \$18,447,344.43, or any part thereof, is part of the cost of money obtained through the issue and sale of bonds.

4. Pacific Gas and Electric Company may, after the effective date hereof and on or before June 1, 1941, execute, authenticate and deliver pending the preparation and delivery of 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 said \$110,000,000 of definitive first and refunding mortgage bonds, Series J, 3%.

5. 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 Seven Thousand Six Hundred and Forty three (\$7,643.00) Dollars.

6. Within fifteen days after the effective date of the registration statement filed with the Securities and Exchange Commission, Pacific Gas and Electric Company shall file with the Railroad Commission a copy of said registration

statement and a copy of each of the exhibits referred to therein, except such exhibits as were annexed to registration statements previously filed with the Securities and Exchange Commission.

7. Pacific Gas and Electric Company shall file with the Railroad Commission within fifteen days after the execution of said Third Supplemental Trust Indenture two certified copies of said Third Supplemental Trust Indenture.

8. Pacific Gas and Electric Company shall file with the Commission a report or reports as required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

9. Pacific Gas and Electric Company shall, on or before July 31, 1941, file with the Commission a statement showing in detail the expenses incurred by it because of the issue and sale of said first and refunding mortgage bonds, Series J, 3%, due December 1, 1970.

Dated at San Francisco, California, this 11<sup>th</sup> day of March, 1941.

*[Handwritten signature]*

*Ray L. Rice*  
*Justice J. Caseman*  
*Francis R. Havens*  
Commissioners.

