

Decision No. 34369

ORIGINAL

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 to issue, sell and deliver shares of its five per cent (5%) first preferred capital stock of the aggregate par value of \$10,000,000 and to use the proceeds thereof for the purposes herein set forth.

Application No. 24287

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

BY THE COMMISSION:

O P I N I O N

Pacific Gas and Electric Company, hereinafter some times referred to as applicant, asks permission and authority to issue, sell and deliver at not less than par, 400,000 shares of its 5% first preferred capital stock of the par value of \$25 per share, and use the proceeds received from the issue, sale and delivery of said 400,000 shares of stock to reimburse its treasury in part on account of capital expenditures made on or prior to March 31, 1941 or to pay in part the cost of additions, extensions, betterments or improvements to its facilities made and to be made subsequent

to March 31, 1941.

As of April 30, 1941, applicant reports its authorized and outstanding stock as follows:

<u>Item</u>	<u>Authorized</u>	<u>Outstanding</u>
Common stock	\$200,000,000	\$156,533,925
First preferred stock - 6%	140,000,000	104,941,550
" " " - 5 1/2%	40,000,000	29,329,075
" " " - 5%	20,000,000	-
Grand Total	<u>\$400,000,000</u>	<u>\$290,804,550</u>

All classes of applicant's stock are divided into shares of the par value of \$25 each. Except for the variation in dividend rates, applicant's three classes of preferred stock are entitled to the same rights and privileges.

As of April 30, 1941, applicant's bonded indebtedness amounted to \$306,442,500 and consisted of the following:

Pacific Gas and Electric Company

First and Refunding Mortgage:

Series B, 6s, due December 1, 1941	\$ 19,971,500
Series G, 4s, due December 1, 1964	91,393,000
Series H, 3-3/4s, due December 1, 1961	116,236,000
Series I, 3-1/2s, due June 1, 1966	50,000,000
Series J, 3s, due December 1, 1970	19,869,000

San Joaquin Light & Power Corporation

Unifying and Refunding Mortgage,

Series B, 6s, due March 1, 1951	<u>2,973,000</u>
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Total \$306,442,500

The Pacific Gas and Electric Company's First and Refunding Mortgage, Series B, 6% Bonds and the San Joaquin Light and Power Corporation Unifying and Refunding Mortgage, Series B, 6% Bonds, are not callable. It will be noted, however, that the Pacific Gas and Electric Company 6% bonds mature on December 1, 1941.

It is of record that applicant has expended for

capital purposes up to March 31, 1941 the sum of \$103,945,838.60, which sum it has not obtained from the issue of stocks or bonds. In general, such expenditures represent the investment of applicant's depreciation and other reserves and surplus earnings. Its reserves on April 30, 1941 are reported at \$141,413,372.53 and its earned surplus at \$54,473,591.61. In Exhibit "C" applicant shows its uncompleted General Manager's Authorizations and Unexpended Balances, as of March 31, 1941, at \$51,310,069.12 and \$35,999,479.50 respectively. The amounts are segregated to departments as follows:

<u>Department</u>	<u>Total Amount Authorized</u>	<u>Expenditures To March 31, 1941</u>	<u>Unexpended Balance March 31, 1941</u>
Electric	\$46,771,232.57	\$13,250,270.71	\$33,520,961.86
Gas	3,082,158.95	1,366,195.02	1,715,963.93
Water Collection	94,724.00	57,354.84	37,369.16
Water Pumping	46,120.00	23,395.34	22,724.66
Railway	131,236.00	60,168.23	71,067.77
Steam Sales	4,873.00	4,227.73	645.27
Common Utility Plant	<u>1,179,724.50</u>	<u>518,977.75</u>	<u>630,746.85</u>
Totals	<u>\$51,310,069.12</u>	<u>\$15,310,589.62</u>	<u>\$35,999,479.50</u>

In addition, some of applicant's construction work is carried on under division managers' work orders. These call for an additional expenditure of about \$8,500,000 during 1941.

Included in the proposed electric department expenditures is an authorization of \$11,115,000 for a dam and power house to be known as Cresta hydroelectric development and \$10,220,000 for the power house building, dam and conduit with

associated equipment, to be known as the Pulga Power House. There is now pending before this Commission a proceeding in which applicant asks for a certificate of public convenience and necessity to construct said two hydroelectric projects. We will defer our permission to applicant to use stock proceeds to construct the so-called Cresta and Pulga projects until such time as we have authorized their construction and applicant has advised us that it will construct the same.

For the purpose of reimbursing its treasury and financing new construction and paying obligations, applicant asks permission to issue at not less than par \$10,000,000 of 5% first preferred stock. The testimony shows that it is applicant's intention to sell such stock through its own organization on a cash or installment payment basis. It proposes to offer 320,000 shares of said stock to the public at a price which will yield approximately the same percentage return to the purchasers of said shares of stock as the yield at market price of its 6% and 5½% first preferred stock at the time of the initial offering. It further proposes to offer not more than 80,000 shares of said 5% preferred stock at not less than par to its employees and persons actively engaged in the conduct of its business except its directors, principal officers and heads of its principal departments. Under its plan, the public will be asked to pay cash for the stock or make a down payment of \$10 per share and monthly payments of \$1.50. The employees will be called upon to make a down payment of \$5 per share and twelve monthly payments of \$1.50 and one of \$2.00 subject to interest adjustment. The employees' payments will be deducted from their pay rolls. They are not allowed to

anticipate any monthly payments.

It is the company's plan to offer its 5% preferred stock to the general public at a price higher than that to be asked in the offering to its employees. From the testimony of E. J. Beckett, applicant's assistant treasurer, it appears that with existing market conditions, the probable offering price to the public will be \$26.50 a share. As said, the 80,000 shares would be offered to the employees at \$25 per share.

In support of the differential between the offering prices, it is urged that the lower price to the employees should result in additional subscriptions, which ordinarily would not be received from a general offering, and should promote the employees' interest in the welfare of the company. It is felt that some concession in the terms is necessary and desirable in obtaining the employees' subscriptions.

We have no objection to applicant inviting its employees to acquire its stock, but feel that no difference in price or terms of payment should be made in the offering to the public and in the offering to employees.

While the order herein will authorize applicant to issue and sell the 400,000 shares of 5% first preferred stock at not less than par, the testimony shows that if present market conditions continue to prevail, the stock will be offered to the public at a price in excess of par.

#### O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue, sell and deliver

\$10,000,000 par value of its 5% first preferred stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purposes specified herein, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be, and it hereby is, authorized to issue, sell and deliver, on or before December 31, 1942, at not less than \$25 a share, 400,000 shares of its 5% first preferred stock of the aggregate par value of \$10,000,000, and to use the proceeds to reimburse its treasury and to finance, in part, the construction expenditures referred to in Exhibits "B" and "C" filed in this proceeding, and the cost of paying its First and Refunding Mortgage, Series B, 6% bonds, due December 1, 1941, provided:

1. That only such expenditures as are chargeable to capital or investment accounts under the uniform systems of accounts prescribed or adopted by this Commission may be financed with proceeds received through the issue of the stock herein authorized;

2. That no authority is granted to Pacific Gas and Electric Company by this order to use proceeds from the sale of the stock herein authorized to be issued, to finance the costs of constructing the Cresta and Pulga hydroelectric developments referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that within fifteen (15) 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 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 and incorporated in said registration statement by reference.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with the Railroad Commission monthly reports as required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 1st  
day of July, 1941.

[Signature]  
[Signature]  
Justus F. Casper  
Francis D. Havens  
[Signature]  
Commissioners.