

ORIGINAL

Decision No. 3478

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 \$25,000,000.00 face amount of its First and Refunding Mortgage Bonds, 3%, and to use the proceeds thereof for the purposes specified in this petition.

Application No. 24574

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

Adolph Kessler, in propria persona,
a stockholder of Applicant.

BY THE COMMISSION:

O P I N I O N

Pacific Gas and Electric Company asks permission to issue and sell, at not less than par, plus accrued interest to the date of delivery, \$25,000,000 face amount of First and Refunding Mortgage Bonds, Series K, 3%, due June 1, 1971, and use the proceeds, exclusive of accrued interest, to reimburse its treasury because 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 or to be made subsequent to March 31, 1941 or for such other lawful

purpose or purposes as to the Railroad Commission shall seem proper.

Pacific Gas and Electric Company, hereinafter sometimes referred to as applicant, had on September 30, 1941, stock outstanding as follows:

<u>Class of Stock</u>	<u>Shares</u>	<u>Par Value</u>
Common	6,261,357	\$156,533,925.00
Preferred 6% Cumulative	4,197,662	104,941,550.00
Preferred 5 $\frac{1}{2}$ % Cumulative	1,173,163	29,329,075.00
Preferred 5% Cumulative	<u>187,891</u>	<u>4,697,275.00</u>
Total	<u>11,820,073</u>	<u>\$295,501,825.00</u>

The common stock includes warrants representing eighty-three shares and the 6% cumulative preferred stock, warrants representing three shares which have never been presented for transfer. Since September 30, 1941, the company has sold additional 5% cumulative preferred stock having a par value of \$5,302,725. The issue of the \$10,000,000 5% cumulative preferred stock was authorized by Decision No. 34369, dated July 1, 1941, as amended by Decision No. 34671, dated October 14, 1941, in Application No. 24287.

Applicant's earned surplus on September 30, 1941, is reported at \$54,942,252.31. As of the same date, its balance sheet shows unamortized debt discount and expense of \$18,337,974.94 and capital stock discount and expense of \$7,976,416.24.

Applicant's bonded indebtedness in the hands of the public on September 30, 1941, amounted to \$305,030,500, segregated

as follows:

<u>Name of Issuer and of Bond</u>	<u>Rate of Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
A-Pacific Gas and Elec. Company First & Refunding Mortgage Bonds:			
Series B - noncallable	6%	12-1-41	\$ 18,823,500
" G	4%	12-1-64	91,170,000
" H	3-3/4%	12-1-61	116,236,000
" I	3-1/2%	6-1-66	50,000,000
" J	3%	12-1-70	19,828,000
B-San Joaquin Lt. & Pr. Corp. Unifying and Refunding Mortgage Bonds, Series B, noncallable			
	6%	3-1-52	8,973,000

It will be observed that the Series B, 6%, First and Refunding Mortgage Bonds of Pacific Gas and Electric Company mature on December 1, 1941. \$10,000,000 face amount of such bonds were issued in December, 1921, at a price of 94-1/4% of their face value and accrued interest and \$10,000,000 in February, 1922, at a price of 95-1/2% of their face value and accrued interest. Since the issue of said bonds, applicant has acquired \$1,176,500 of said bonds, leaving \$18,823,500 outstanding in the hands of the public on September 30, 1941.

The \$25,000,000 face amount of bonds which applicant now desires permission to issue will be designated as First and Refunding Mortgage Bonds, Series K, 3%, due June 1, 1971. They will be dated June 1, 1941. The payment will be secured by applicant's First and Refunding Mortgage, dated December 1, 1920, which has been supplemented by three indentures dated, respectively: April 23, 1925, October 1, 1931 and March 1, 1941. The bonds of Series K are subject to redemption, in whole or from

time to time in part, at the option of applicant, for other than sinking fund purposes, on the first day of any calendar month, and are subject to redemption for sinking fund purposes on any first day of June or first day of December, in each case, at the principal amount thereof and accrued interest thereon, plus a premium on such principal amount of

8 $\frac{1}{2}$ %, if redeemed on or before June 1, 1943;
8%, if redeemed thereafter and on or before June 1, 1945;
7 $\frac{1}{2}$ %, if redeemed thereafter and on or before June 1, 1947;
7%, if redeemed thereafter and on or before June 1, 1949;
6 $\frac{1}{2}$ %, if redeemed thereafter and on or before June 1, 1951;
6%, if redeemed thereafter and on or before June 1, 1953;
5 $\frac{1}{2}$ %, if redeemed thereafter and on or before June 1, 1955;
5%, if redeemed thereafter and on or before June 1, 1960;
4%, if redeemed thereafter and on or before June 1, 1964;
3%, if redeemed thereafter and on or before June 1, 1967;
2%, if redeemed thereafter and on or before June 1, 1968;
1%, if redeemed thereafter and on or before June 1, 1969;
 $\frac{1}{2}$ %, if redeemed thereafter and on or before June 1, 1970,
and thereafter without premium.

In each case applicant must publish notice of redemption as required in the mortgage securing the payment of the bonds.

Applicant is now conducting negotiations for the sale of said \$25,000,000 of bonds. No final agreement has yet been concluded. Applicant's First and Refunding Mortgage 3% Bonds now outstanding have recently sold at prices ranging from 105% to 106% of their face value and accrued interest. Obviously, in view of the current market price of said 3% bonds, applicant should receive more than par for its Series K, 3% bonds. The testimony indicates that applicant expects to receive more than par for them. However, because of the uncertainty as to the exact date when such bonds can be offered for sale to the public and

because of present economic conditions, applicant is not in a position at this time to state the price at which it will sell the bonds. We feel, however, that whatever price applicant may receive for said bonds, the underwriting commissions should not exceed 1-3/4% of the face value of the bonds sold.

In Application No. 24287, applicant, as of March 31, 1941, reported actual (\$103,945,838.60) and authorized (\$35,999,479.50) capital expenditures of \$139,945,318.10. From this sum should be deducted an estimated expenditure of \$21,335,000 for constructing the Cresta and Pulga hydroelectric projects. The General Manager's Authorizations for constructing said plants have been canceled. Deducting the \$21,335,000 from the \$139,945,318.10 leaves a balance of \$118,610,318.10. The proceeds realized or to be realized from the sale of the \$10,000,000 of 5% cumulative preferred stock authorized by said Decision No. 34369, dated July 1, 1941, as amended, have and will be used to reimburse, in part, applicant's treasury because of said actual or estimated expenditures of \$118,610,318.10. This expenditure has been temporarily financed through the investment of depreciation and other reserve monies and surplus earnings.

It is of record that applicant at the close of November 16, 1941, had \$35,065,206.38 of cash on hand. Between now and December 15, 1941, it must expend about \$33,300,000 to pay bonds, taxes and interest. Because of such disbursements, it appears that applicant is in need of the additional funds which it will obtain through the issue of said \$25,000,000 of bonds to reimburse its treasury.

O R D E R

A public hearing having been held on the above numbered application before Examiner Fankhauser, and the Commission having considered the evidence 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 of \$25,000,000 face amount of First and Refunding Mortgage Bonds, Series K, 3%, due June 1, 1971, by Pacific Gas and Electric Company, is reasonably required by said Pacific Gas and Electric Company for the purposes herein stated, and 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 on or before December 31, 1941, issue and sell \$25,000,000 principal amount of definitive First and Refunding Mortgage Bonds, Series K, 3%, due June 1, 1971, provided, said bonds are offered to the public at a price of not more than 1-3/4% in excess of the price received for said bonds by said Pacific Gas and Electric Company.

2. Pacific Gas and Electric Company shall use the net proceeds, other than accrued interest, realized from the issue and sale of said bonds to reimburse its treasury, in part, on account of capital expenditures made on or before March 1, 1941, and to finance the cost of additions and betterments to its properties properly chargeable to fixed capital or investment accounts under the system of accounts prescribed by the

Railroad Commission. The accrued interest may be used by Pacific Gas and Electric Company for general corporate purposes.

3. Pending the preparation and delivery of definitive bonds, Pacific Gas and Electric Company may issue, sell and deliver temporary bonds in the face amount of \$25,000,000 under the same terms and conditions as those under which said Pacific Gas and Electric Company is authorized to issue and sell said \$25,000,000 of definitive bonds.

4. Within thirty (30) days after the issue and sale of said \$25,000,000 of bonds, Pacific Gas and Electric Company shall file with the Railroad Commission a complete copy of the registration statement filed with the Securities and Exchange Commission, except the exhibits referred to therein which have been heretofore filed with the Railroad Commission.

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

6. The authority herein granted will become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Nine Thousand Two Hundred and Fifty (\$9,250.00) Dollars.

Dated at San Francisco, California, this ^(21st) ~~20th~~ day
of November, 1941.

[Signature]
Ray L. Riley
Justin F. Coenen
Francis C. Havenner

Commissioners.

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RAILROAD COMMISSION
STATE OF CALIFORNIA
PAID
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By *[Signature]*
SECRETARY