

Decision No. 37411

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

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 \$115,000,000 principal amount of its First and Refunding Mortgage Bonds, Series L, 3%, due June 1, 1974, and to use the proceeds for the purposes specified in this petition, etc.

Application No. 26387

BY THE COMMISSION:

O P I N I O N

In this application, Pacific Gas and Electric Company asks permission to issue and sell at not less than the face amount thereof, plus accrued interest, \$115,000,000 principal amount of its First and Refunding Mortgage Bonds, Series L, 3%, due June 1, 1974, and to use the proceeds (exclusive of accrued interest) derived from the issue and sale of said bonds to pay in part the cost of redeeming on January 1, 1945, applicant's outstanding First and Refunding Mortgage Bonds, Series H, 3-3/4%, due December 1, 1961. Pending the preparation and delivery of

definitive bonds, applicant desires permission to execute, authenticate and deliver in lieu of such definitive bonds, temporary bonds, such temporary bonds to be issued and sold under the same terms and conditions as said definitive bonds. Applicant also asks permission to deviate from the provisions of the Commission's uniform systems of accounts prescribed for electric, gas and water corporations relating to the amortization of debt discount, expense and premium.

Applicant, as of July 31, 1944, had outstanding in the hands of the public, \$302,341,500 of bonds, segregated as follows:

A. Pacific Gas and Electric Company First and Refunding Mortgage Bonds:	
Series G, 4%, due December 1, 1964	\$ 24,213,000
Series H, 3-3/4%, due December 1, 1961	115,756,000
Series I, 3 1/2%, due June 1, 1966	49,967,000
Series J, 3%, due December 1, 1970	19,448,000
Series K, 3%, due June 1, 1971	24,709,000
B. San Joaquin Light and Power Corporation Unifying and Refunding Mortgage Bonds, non-callable, 6%, due March 1, 1951, (payment assumed by applicant)	
	<u>8,243,500</u>
	<u>\$302,341,500</u>

The Series G, 4% Bonds are to and including December 1, 1944, redeemable, at the option of the company, upon the payment of the principal amount thereof, the accrued interest, and a premium of 10% of the principal amount. From December 1, 1944 to and including December 1, 1954, they are redeemable, at the option of the company, upon the payment of the principal amount thereof, the accrued interest, and a premium of 5% of the principal amount. Thereafter, they are redeemable upon the payment of

a lesser premium.

Pursuant to previous Orders⁽¹⁾ of the Railroad Commission, applicant issued \$123,785,000 of First and Refunding Mortgage Bonds, Series H, 3-3/4%, due December 1, 1961. Up to August 31, 1944, applicant retired and cancelled \$8,029,000 of said 3-3/4% bonds. Its petition shows that it holds in its treasury \$82,000 principal amount of said bonds and that there are outstanding and in the hands of the public, \$115,674,000 of said 3-3/4% bonds.

Applicant may, at its option, on sixty days' notice redeem all or any part of said 3-3/4% bonds at the principal amount thereof and accrued interest, plus a premium of 7½% if redeemed after December 1, 1944 and on or before December 1, 1946. Applicant intends to exercise its option and redeem said 3-3/4% bonds on January 1, 1945. This involves an expenditure for principal and premium payments of \$124,438,000, of which \$115,756,000 represents principal payment and \$8,682,000 premium payment.

For the purpose of making such payment, applicant asks permission to issue and sell at not less than their face value, plus accrued interest, \$115,000,000 of First and Refunding Mortgage Bonds, Series L, 3%, due June 1, 1974. The Series L, 3%, Bonds will be, upon giving the required notice, subject to re-

(1) Decision No. 28626, dated March 16, 1936, in Application No. 20412 - \$90,000,000;
 Decision No. 28730, dated April 20, 1936, in Application No. 20483 - \$30,000,000;
 Decision No. 31823, dated March 13, 1939, in Application No. 22612 - \$ 425,000;
 Decision No. 32313, dated Sept. 12, 1939, in Application No. 22965 - \$ 1,260,000;
 Decision No. 33455, dated Sept. 3, 1940, in Application No. 23647 - \$ 850,000;
 Decision No. 33907, dated Feb. 18, 1941, in Application No. 23986 - \$ 1,250,000.

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

8-1/2%, if redeemed on or before June 1, 1947;
 8%, if redeemed thereafter and on or before June 1, 1949;
 7-1/2%, if redeemed thereafter and on or before June 1, 1951;
 7%, if redeemed thereafter and on or before June 1, 1953;
 6-1/2%, if redeemed thereafter and on or before June 1, 1955;
 6%, if redeemed thereafter and on or before June 1, 1957;
 5-1/2%, if redeemed thereafter and on or before June 1, 1959;
 5%, if redeemed thereafter and on or before June 1, 1961;
 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, 1970;
 1-1/2%, if redeemed thereafter and on or before June 1, 1971;
 1%, if redeemed thereafter and on or before June 1, 1972;
 1/2%, if redeemed thereafter and on or before June 1, 1973;
 and thereafter without premium.

Applicant's President is presently conducting negotiations for the sale of the bonds. As said, applicant asks permission to sell the Series L, 3%, Bonds for not less than their face amount. Its President expects to be able to sell them at a higher price. Applicant's outstanding 3% bonds are currently selling at about 105-3/4 plus accrued interest. While the Order herein will authorize applicant to issue and sell the new bonds at not less than par, we expect applicant, if the present bond market conditions prevail until the bond contract is signed, to receive more than par for the bonds.

Exhibit "C" on file in this application shows, among other things, that as of August 31, 1944, the unamortized premium and expense applicable to applicant's Series H, 3-3/4%, Bonds, to-

gether with the unamortized discount, (2) expense and premium applicable to associated and related issues of bonds of applicant and its former subsidiaries heretofore paid and redeemed, amounted to \$6,795,055.15. From September 1, 1944 to December 31, 1944, inclusive, this sum, because of normal amortization, will be reduced to \$6,653,668.30. Applicant asks permission to amortize the \$6,653,668.30 on or before June 1, 1974.

Upon the redemption of said Series H, 3-3/4%, Bonds, applicant will have to pay a premium of \$8,681,700. It proposes to charge this premium, together with any expenses incident to the issue of the new bonds and the redemption of said 3-3/4% bonds, to Account 140, Unamortized Bond Discount and Expense. Applicant estimates its Federal tax savings on income at about \$7,000,000. It also expects to sell the Series L, 3%, Bonds at a premium. It proposes to transfer to its pension reserve an amount equal to the difference between the premium paid upon the redemption of said 3-3/4% bonds, the bond sale expenses, on the one hand, and the Federal tax savings and premium received upon

(2) The Commission's Order in Decision No. 28626, dated March 16, 1936, in Application No. 20412, provides, among other things, as follows: "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." In the Opinion preceding the Order, the Commission states: "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."

the sale of the Series L, 3%, Bonds, on the other hand. It estimates this difference at \$2,602,000. The disposition of the unamortized bond discount, expense and premium, Federal tax savings and premium received will be the subject matter of a supplemental order in this application.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$115,000,000 of First and Refunding Mortgage Bonds, Series L, 3%, due June 1, 1974, and for such other authority as indicated in the foregoing Opinion, and the Commission having considered applicant's requests and it being of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant for the purposes herein specified; that the expenditures for such purposes, other than the use of the accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may, after the effective date hereof and on or before January 1, 1945, issue and sell at not less than the face amount thereof, plus accrued interest, \$115,000,000 principal amount of its First and Refunding Mortgage Bonds, Series L, 3%, due June 1, 1974, said bonds to be in the forms prescribed in the resolution of applicant's Board of Directors on file in this application as Exhibit "B." Pacific

Gas and Electric Company shall use the proceeds (exclusive of accrued interest) derived from the issue and sale of said bonds, to pay in part the cost of redeeming on or before January 1, 1945, its outstanding First and Refunding Mortgage Bonds, Series H, 3-3/4%, due December 1, 1961. The accrued interest may be used by applicant for general corporate purposes. Pending the preparation and delivery of definitive bonds, Pacific Gas and Electric Company may execute, authenticate and deliver in lieu of such definitive bonds, temporary bonds, such temporary bonds to be issued and sold under the same terms and conditions as applicant is authorized to issue and sell definitive First and Refunding Mortgage Bonds of Series L.

2. 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.

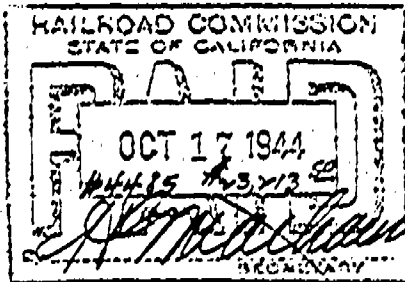
3. Pacific Gas and Electric Company shall file with the Railroad Commission within thirty (30) days after the issue and sale of said bonds, a complete copy of its Registration Statement filed with the Securities and Exchange Commission, including the exhibits referred to therein, except such exhibits as have previously been filed with the Railroad Commission.

4. Pacific Gas and Electric Company shall file with the Railroad Commission a report or reports 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, on or before February 28, 1945, file with the Railroad Commission a state-

ment showing in detail the expenses incurred because of the issue and sale of said Series L, 3%, Bonds and the redemption of said Series E, 3-3/4%, Bonds.

Dated at San Francisco, California, this 17th day of October, 1944.



Richard Kachse
Justus F. Coe

James Dewey
Frank J. Sweet
Commissioners.