



III Bonds

\$293,038,500.00

A. Pacific Gas and Electric Company  
First and Refunding Mortgage Bonds:

a) Series I 3½%, due June 1, 1966	\$ 49,927,000.00
b) Series J 3%, due December 1, 1970	19,273,000.00
c) Series K 3%, due June 1, 1971	23,967,000.00
d) Series L 3%, due June 1, 1974	111,717,000.00
e) Series M 3%, due December 1, 1979	80,000,000.00

B. Assumed San Joaquin Light and  
Power Corporation Unifying and  
Refunding Mortgage Series B  
6% noncallable bonds, due  
March 1, 1952

8,154,500.00

Applicant intends to redeem its Series I 49,927,000 of bonds on January 1, 1946, by paying the principal thereof, a premium of 5% and accrued interest. The premium which the company will be required to pay amounts to \$2,496,350 which, added to the principal of the bonds, calls for a total payment, exclusive of accrued interest, of \$52,423,350. To provide itself with funds to redeem said Series I bonds, applicant asks permission to issue \$49,000,000 of first and refunding mortgage bonds, Series N, 3%, due December 1, 1977.

Through the bond refunding and the accounting adjustments set forth in its application, applicant estimates its annual savings in fixed charges at \$289,000, and its non-recurring tax savings, assuming all Series I bonds are surrendered prior to the repeal of the current 95% Excess Profits Tax, at \$2,170,000.

The testimony shows that applicant's Executive Committee of its Board of Directors has authorized its president to enter into negotiations with one or more responsible underwriters for the sale by applicant of \$49,000,000 first and refunding mortgage bonds, Series N, 3%. While he hopes that applicant will realize more than

104% of the face amount of said bonds, he did not know how much more nor would he press for a closing price until the Commission had determined upon the procedure which applicant should follow in the sale of the bonds. Three procedures are available to applicant, to wit:

a) The sale of the bonds by private placement, that is, direct to investors,

b) A public offering of the bonds with the price to the company fixed by private negotiation, or

c) A public offering of the bonds with the price to the company fixed by competitive bidding.

Applicant's president favors the sale of the bonds by private negotiations regardless of whether they are sold directly to investors or are publicly offered. He is presently carrying on negotiations for the sale of the bonds with Blyth & Co., Inc. Only in the event he cannot obtain a fair price from or through Blyth & Co., Inc., or another investment banker, would he resort to competitive bidding. The record does not show what he regards to be a fair price. Halsey, Stuart & Co., Inc., have intervened in this application and have signified their intention to bid for the bonds if given the opportunity to do so.

Applicant's Board of Directors has not yet adopted a resolution creating the new series of bonds. The testimony in this case does not warrant us to enter at this time a final order authorizing applicant to issue the bonds. Applicant should invite publicly, written sealed proposals for the purchase or underwriting of said Series N bonds. The proposals received should be opened at such time and place as are specified in the invitation. A duly authorized representative of any person making any such proposal shall be entitled to be present at the opening of such proposal and to examine each proposal submitted. Applicant should reserve the right to reject all proposals. Upon being advised of the price at which applicant desires

to sell said Series N bonds, the Commission will enter a supplemental order in this application. The accounting matters, to which reference is made in this application, will likewise be the subject matter of a supplemental order.

#### ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue and sell \$49,000,000 principal amount of its first and refunding mortgage bonds, Series N, 3%, due December 1, 1977, and for such other authority as indicated in this application, and the Commission having considered applicant's request and it being of the opinion that Pacific Gas and Electric Company shall invite publicly, written sealed proposals for the purchase or underwriting of said Series N bonds, that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant for the purposes herein stated, 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 to the extent indicated herein, therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may, after the effective date hereof and on or before February 1, 1946, issue and sell at the price fixed by a supplemental order, \$49,000,000 principal amount of its first and refunding mortgage bonds, Series N, 3%, due December 1, 1977. 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, 1946, its outstanding first and refunding mortgage bonds, Series I, 3½%, due June 1, 1966. The accrued interest may be used by applicant for general corporate purposes.

2. The authority herein granted will become effective when the Railroad Commission has entered a supplemental order fixing the price at which Pacific Gas and Electric Company may sell said Series N bonds, and when Pacific Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act, and has filed with the Commission a certified copy of the resolution of its Board of Directors creating said Series N bonds.

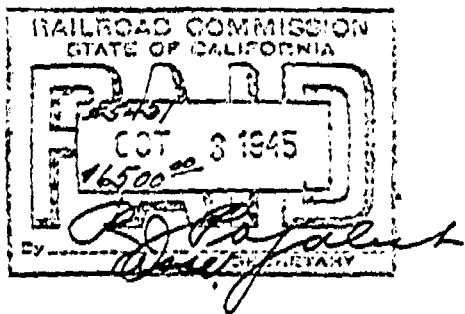
Dated at San Francisco, California, this 3<sup>rd</sup> day of October, 1945.

*Edward C. ...*

*Justice J. ...*

*Frank W. ...*

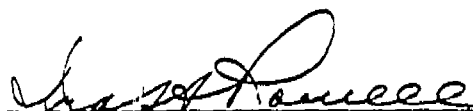
Commissioners



A. 26985

Commissioner Rowell, dissenting in part.

I concur in the foregoing order authorizing the issuance of securities as prayed for, but disagree with the condition that applicant shall proceed only by calling for competitive bids. Nothing stated in the opinion reveals why this requirement is imposed. If the Commission is to observe the very essentials of fair administrative process, its action should not only be rested solely upon the evidence produced, but it should make adequate reference to those facts which compel it to the conclusion reached. In fairness to a particular utility applicant, the Commission's opinion should either candidly state why competitive bidding is deemed to be a prerequisite to the issuance of its securities, or it should announce now that the intention is to apply a similar rule to all. But the propriety of adopting a competitive bidding rule is a question to be decided in a general inquiry not yet submitted, nor the evidence and argument presented yet considered. Seemingly, we have already prejudged the merits of that case.

  
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Ira H. Rowell  
Commissioner

October 3, 1945.