

ORIGINAL

Decision No. 39535

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, author-)
 izing applicant to issue and sell) Application
 \$25,000,000 face amount of its First) No. 27894
 and Refunding Mortgage Bonds, Series P,)
 2-3/4%, due June 1, 1981, and to use)
 the proceeds thereof for the purposes)
 specified in this petition.)
 -----)

William B. Bosley, Robert H. Gerdes, and R. W. DuVal,
for applicant.

O P I N I O N

Pacific Gas and Electric Company seeks authorization of the Railroad Commission of the State of California:

1. to issue and sell, at a price to be determined through competitive bidding, plus accrued interest to the date of delivery, \$25,000,000 face amount of applicant's first and refunding mortgage bonds of Series P, 2-3/4%, due June 1, 1981;

2. to use the proceeds (exclusive of accrued interest) derived through the issue and sale of the bonds to reimburse applicant's treasury in part on account of capital expenditures made on or prior to June 30, 1946, for permanent additions to and betterments of its properties, and the purchase and acquisition of properties, or to pay in part the cost of additions, extensions, betterments, or improvements to its facilities made or to be made subsequent to June 30, 1946, or for such other lawful

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

3. to use the accrued interest received in connection with the issue and sale of said bonds for general corporate purposes; and

4. to shorten the period for publishing its invitation for bids for said bonds from ten to five days.

Applicant had as of July 31, 1946, stocks and bonds outstanding as follows:

Common stock		\$156,533,925
Preferred stocks		144,620,625
First preferred stock, 6%	\$105,291,550	
First preferred stock, 5 $\frac{1}{2}$ %	29,329,075	
First preferred stock, 5%	10,000,000	
Bonds		\$304,944,000
Pacific Gas and Electric Company		
First and Refunding Mortgage Bonds:		
Series I, 3 $\frac{3}{4}$ %, due June 1, 1966	\$ 927,000	
Series J, 3%, due Dec. 1, 1970	18,854,000	
Series K, 3%, due June 1, 1971	23,937,000	
Series L, 3%, due June 1, 1974	111,617,000	
Series M, 3%, due Dec. 1, 1979	79,950,000	
Series N, 3%, due Dec. 1, 1977	48,716,000	
Series O, 3%, due Dec. 1, 1975	13,000,000	
San Joaquin Light & Power Corp.		
Unifying and Refunding Mortgage		
Series B non-callable 6% bonds,		
due March 1, 1952	7,943,000	

The \$25,000,000 Series P bonds which applicant now asks permission to issue will be dated June 1, 1946, and mature June 1, 1981. They will bear interest at the rate of 2-3/4% per annum, payable semi-annually on December 1 and June 1. The bonds 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

4%	if redeemed on or before June 1, 1948
3-1/2%	if redeemed thereafter and on or before June 1, 1952
3%	if redeemed thereafter and on or before June 1, 1958
2-1/2%	if redeemed thereafter and on or before June 1, 1962
2%	if redeemed thereafter and on or before June 1, 1966
1-1/2%	if redeemed thereafter and on or before June 1, 1970
1%	if redeemed thereafter and on or before June 1, 1974
1/2%	if redeemed thereafter and on or before June 1, 1977
1/4%	if redeemed thereafter and on or before June 1, 1980

and thereafter without premium.

The payment of the bonds is secured by the company's first and refunding mortgage, as amended.

In Exhibit "B" applicant reports that to June 30, 1946, it had expended for capital purposes the sum of \$137,866,318.43 against which it has not issued any bonds or stock. This investment has been in general financed temporarily through the use of depreciation and other reserve monies and surplus earnings. It asks permission to use the proceeds realized through the issue and sale of the \$25,000,000 of bonds to reimburse its treasury in part because of such expenditures. Actually the proceeds will be used to carry forward the company's construction program. The testimony shows that applicant's construction expenditures are now amounting to from \$3,500,000 to \$3,750,000 a month. It now has a cash balance, including United States government securities, of about \$24,750,000. During November and December applicant's payments for taxes and bond interest will amount to about \$18,300,000. Its cash balance at the close of 1946 is estimated at from \$9,000,000 to \$10,000,000. Applicant estimates that its expenditures on all improvements and new construction during 1946 will approximate \$40,000,000, and in 1947 and 1948 will approximate \$60,000,000 each year. The evidence shows conclusively that applicant has need for the funds which it will realize through

the issue and sale of the \$25,000,000 of bonds.

Applicant proposes to sell the bonds through competitive bidding. The testimony shows that three groups of underwriters are at this time interested in bidding for the bonds. Assuming that applicant's registration statement will become effective not later than October 22nd, it proposes to publish its invitation for bids for the bonds on October 23rd and open the bids at 10 A.M. on October 28th at its office in San Francisco. It asks the Commission to shorten the period during which the invitation for bids has to be published from ten to five days.

While the order herein will authorize applicant to use the bond proceeds to reimburse its treasury, it should not be construed as a finding by the Commission that all of the expenditures referred to in Exhibit "B" are proper charges to fixed capital or investment accounts.

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 P, 2- 3/4%, due June 1, 1981, 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, other than 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 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 November 30, 1946, issue and sell at the price fixed by a supplemental order, \$25,000,000 face amount of its first and refunding mortgage bonds, Series P, 2-3/4%, due June 1, 1961.

2. Pacific Gas and Electric Company shall use the proceeds, exclusive of accrued interest, derived from the issue and sale of said bonds, to reimburse its treasury in part on account of capital expenditures made on or before June 30, 1946, 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. Pacific Gas and Electric Company shall publish an invitation for proposals for the purchase of said \$25,000,000 of bonds not less than five (5) days prior to the date fixed for the opening of bids, said invitation for proposals to purchase said bonds to be in form similar to that on file in this application as Exhibit 4-a.

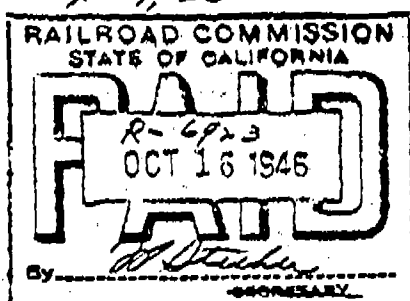
5. The authority herein granted will become effective when the Railroad Commission has entered a supplemental order fixing the price at which Pacific Gas and Electric Company may sell said \$25,000,000 of bonds, and when Pacific Gas and Electric Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Nine Thousand Two Hundred Fifty (\$9,250.00) Dollars.

6. Pacific Gas and Electric Company shall file with the Railroad Commission such report or 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.

7. 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.

8. Within six (6) months after the issue and sale of said \$25,000,000 of bonds, Pacific Gas and Electric Company shall file with the Railroad Commission a statement showing in detail the expenses incurred by it in connection with the issue and sale of said \$25,000,000 of bonds.

Dated at San Francisco, California, this 15th day of October, 1946.



Harold S. Kula
Justice F. Calver
James H. Russell
A. Z. [Signature]
 Commissioners