

ORIGINAL

Decision No. 40728

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of PACIFIC GAS AND ELECTRIC COMPANY	:	
for an order of the Public Utilities)	
Commission of the State of Cali-	:	
fornia, authorizing applicant to)	
issue and sell \$75,000,000 face	:	Application
amount of its First and Refunding)	No. 28706
Mortgage Bonds, Series Q, 2-3/4%,	:	
due December 1, 1980, and to use)	
the proceeds thereof for the purposes	:	
specified in this petition.)	
-----	:	

Robert H. Gerdes and R. W. DuVal, for applicant.

HJLS, Commissioner

O P I N I O N

In this application as amended at the hearing, Pacific Gas and Electric Company seeks authorization of the Public Utilities 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, \$75,000,000 face amount of applicant's first and refunding mortgage bonds of Series Q, 2-3/4%, due December 1, 1980;

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, 1947, 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, 1947, or to pay unsecured notes of applicant, or for such other lawful purpose or purposes as to the 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 six days.

Applicant had, as of July 31, 1947, stocks and bonds outstanding in the hands of the public as follows:

Common stock		\$171,738,100
Preferred stocks		144,620,625
First preferred stock, 6%	\$105,291,550	
First preferred stock, 5½%	29,329,075	
First preferred stock, 5%	10,000,000	
Bonds		326,985,000
Pacific Gas and Electric Company		
First and Refunding Mortgage Bonds:		
Series I, 3½%, due June 1, 1966	927,000	
Series J, 3%, due Dec. 1, 1970	18,744,000	
Series K, 3%, due June 1, 1971	23,904,000	
Series L, 3%, due June 1, 1974	110,093,000	
Series M, 3%, due Dec. 1, 1979	79,345,000	
Series N, 3%, due Dec. 1, 1977	48,467,000	
Series O, 3%, due Dec. 1, 1975	12,700,000	
Series P, 2-3/4%, due June 1, 1981	24,875,000	
San Joaquin Light & Power Corp.		
Unifying and Refunding Mortgage		
Series B non-callable 6% bonds,		
due March 1, 1952	7,930,000	

The \$75,000,000 Series Q bonds which applicant now asks permission to issue will be dated June 1, 1947, and mature December 1, 1980. They will bear interest at the rate of 2-3/4% per annum, payable semi-annually on December 1 and June 1.

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

Had the \$75,000,000 of bonds been outstanding on July 31, 1947, applicant's capitalization ratios would have been as follows:

Bonds	51.6%
Preferred stock	18.6%
Common stock at par	22.0%
Surplus	<u>7.8%</u>
Total	<u>100.0%</u>

To provide itself with funds to pay in part construction costs, applicant borrowed \$10,000,000 on 90-day 1½% unsecured notes from the following banks:

The American Trust Co.	\$ 2,000,000
Bank of America National Trust and Savings Association	2,000,000
Bank of California N.A.	1,600,000
Crocker First National Bank of San Francisco	1,600,000
Anglo California National Bank of San Francisco	1,500,000
Wells Fargo Bank & Union Trust Co.	<u>1,300,000</u>
Total	<u>\$10,000,000</u>

In Exhibit "B" applicant reports that to June 30, 1947, it expended for capital purposes the sum of \$161,255,453.83 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 reserves and surplus earnings.

Applicant has, as shown in Exhibit "2", undertaken a construction program that calls for an estimated construction expenditure of about \$307,594,251 during the years 1947 to 1951, both inclusive. The major items of the construction program are

as follows:

A. Steam Electric Generating Plants

Kern Plant near Bakersfield (234,584 horsepower)	\$ 25,640,000
Station P, two generating units (297,886 horsepower)	23,700,000

B. Hydroelectric Generating Plants

Electra Plant, on Mokelumne River, (132,708 horsepower)	15,600,000
West Point Plant, on Mokelumne River, (21,448 horsepower)	4,000,000
Cresta Plant, on North Fork of Feather River, (100,536 horsepower)	26,400,000
Rock Creek Plant, on North Fork of Feather River, (168,900 horsepower)	35,400,000
Colgate Plant, on Yuba River, (40,214 horsepower)	3,250,000

C. Electric Transmission Lines and Sub- station Facilities	64,316,000
D. Gas Transmission Lines and Related Items	7,108,251
E. Electric and Gas Distribution Systems	100,000,000
F. Miscellaneous Properties	<u>2,180,000</u>
Total	<u>\$307,594,251</u>

As of June 30, 1947, applicant reports unexpended balances in construction work in progress under general managers' authorizations of \$178,001,995.56, divided among its several departments as follows:

Electric Department	\$166,268,209.93
Gas Department	7,097,830.46
Water Department	218,903.85
Steam Department	567.71
Nonoperative Department	17,062.36
Common Utility Properties	<u>4,399,421.25</u>
Total	<u>\$178,001,995.56</u>

The testimony shows that applicant's construction expenditures during the next six months will amount to from \$8,000,000 to \$9,000,000 per month. Including the \$10,000,000 realized through the issue of notes, applicant on September 18, 1947, had about \$25,200,000 in cash and United States Treasury Certificates of Indebtedness on hand. To carry forward its construction program and pay the notes it is necessary for applicant to raise funds through the issue of additional securities. The issue and sale of the \$75,000,000 of bonds is a step in the financing of applicant's construction program herein mentioned.

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 September 30, it proposes to publish its invitation for bids for the bonds on October 1 and open the bids at 10 A.M. on October 7 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 six 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.

I recommend the following form of order.

Q R D E R

The Commission having considered the evidence in this proceeding and it being of the opinion that the money, property or labor to be procured or paid for by the issue of \$75,000,000 face amount of first and refunding mortgage bonds, Series Q, 2-3/4%, due December 1, 1980, 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, 1947, issue and sell at the price fixed by a supplemental order, \$75,000,000 face amount of its first and refunding mortgage bonds, Series Q, 2-3/4%, due December 1, 1980.

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, 1947, and to pay \$10,000,000 of notes and 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 Public Utilities 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 \$75,000,000 under the same terms and conditions as those under which it is authorized to issue and sell said \$75,000,000 of definitive bonds.

4. Pacific Gas and Electric Company shall publish an invitation for proposals for the purchase of said \$75,000,000 of bonds not less than six (6) 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 Public Utilities Commission has entered a supplemental order fixing the price at which Pacific Gas and Electric Company may sell said \$75,000,000 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 Twenty One Thousand Seven Hundred Fifty (\$21,750.00) Dollars.

6. Pacific Gas and Electric Company shall file with the Public Utilities 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 \$75,000,000 of bonds, Pacific Gas and Electric Company shall file with the Public Utilities 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 Public Utilities Commission.

8. Within six (6) months after the issue and sale of said \$75,000,000 of bonds, Pacific Gas and Electric Company shall file with the Public Utilities Commission a statement showing in detail the expenses incurred by it in connection with the issue and sale of said \$75,000,000 of bonds.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 23rd day of September, 1947.

Harold Huls
Justice F. Cassin
W. H. ...
A. J. ...
Kenneth Patten
Commissioners

