

CONFIDENTIAL

Decision No. 41204

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PACIFIC GAS AND ELECTRIC COMPANY, a	:	
corporation, for an order of the Pub-)	
lic Utilities Commission of the State	:	
of California authorizing applicant)	
to issue, sell, and deliver shares of	:	Application
its common capital stock in the manner,)	No. 29038
to the amount, and for the purposes set	:	
forth herein; and relieving applicant)	
of the necessity of complying with the	:	
requirements of Section A, 1 of said)	
Commission's General Order No. 24-A.	:	
-----)	

Robert H. Gerdas and R. W. DuVal, for applicant;
John J. O'Toole, City Attorney, Dion R. Holm,
Assistant City Attorney, and Paul L. Beck, Chief
Valuation and Rate Engineer, by Paul L. Beck, for
City and County of San Francisco, interested party.

HULS, Commissioner

O P I N I O N

Pacific Gas and Electric Company, hereinafter sometimes referred to as Applicant, asks permission to issue, sell and deliver at and for the par value thereof, not exceeding 656,953 shares of Applicant's common capital stock of the par value of \$25 per share and of the aggregate par value of \$17,173,825, and use the proceeds to reimburse its treasury in part on account of capital expenditures made on or prior to November 30, 1947, and/or to pay in part the cost of additions to, extensions of and betterments or improvements to its plants, properties and facilities made, or to be made, subsequent to November 30, 1947.

The following statement shows the authorized shares of Applicant's stock, the number of shares outstanding and the aggregate par value of the shares outstanding as of December 31, 1947:

Classification of Capital Stock	Number of Shares Authorized	Shares Issued and Outstanding	Aggregate Par Value--Shares Issued and Outstanding
<u>First Preferred Stock:</u>			
6%	4,600,000	4,211,662	\$105,291,550
5½%	1,600,000	1,173,163	29,329,075
5%	800,000	400,000	10,000,000
4%	1,000,000	-	-
Common Stock:	<u>10,000,000</u>	<u>6,869,524</u>	<u>171,738,100</u>
Total	18,000,000	12,654,349	\$316,358,725

The shares of Applicant's stock, both preferred and common, have a par value of \$25 each.

Applicant had, as of December 31, 1947, outstanding in the hands of the public \$399,892,000 of bonds, segregated as follows:

<u>Class of Bonds</u>	<u>Amount Outstanding</u>
San Joaquin Light and Power Corporation Unifying and Refunding Mortgage, 6%, Series B of 1952 bonds assumed by Applicant	\$ 7,907,000
Pacific Gas and Electric Company First and Refunding Mortgage bonds:	
Series I 3½% Bonds due June 1, 1966	927,000
Series J 3% Bonds due December 1, 1970	18,744,000
Series K 3% Bonds due June 1, 1971	23,904,000
Series L 3% Bonds due June 1, 1974	109,648,000
Series M 3% Bonds due December 1, 1979	78,895,000
Series N 3% Bonds due December 1, 1977	48,392,000
Series O 3% Bonds due December 1, 1975	12,700,000
Series P 2-3/4% Bonds due June 1, 1981	24,650,000
Series Q 2-7/8% Bonds due December 1, 1980	<u>74,125,000</u>
Total	<u>\$399,892,000</u>

The following statement shows Applicant's capitalization, including its surplus, ratios as of December 31, 1947:

Bonds	\$399,892,000	51.6%
Preferred stock	144,620,625	18.6%
Common stock	171,738,100	22.1%
Surplus	<u>59,277,297</u>	<u>7.7%</u>
Total	<u>\$775,528,022</u>	<u>100.0%</u>

Applicant is making extensive additions and improvements of its plants, properties and facilities. A report filed with the Commission and by reference made a part of the record in this application shows, as of November 30, 1947, the unexpended balance of its General Manager authorizations for capital additions and improvements of its properties in the amount of \$189,569,607.01. The amount is segregated as follows:

Electric	\$175,828,806.27
Gas	10,429,252.33
Water	272,950.05
Steam sales	28.07
Common utility	3,010,870.34
Non-operative	<u>27,699.95</u>
Total	<u>\$189,569,607.01</u>

Included in the \$175,828,806.27 are unexpended balances under General Manager authorizations covering the construction of Applicant's Kern steam plant, the installation of additional generating units to be added at Station "P" Plant in San Francisco, the reconstruction of the Electra Power House and appurtenances, the West Point, the Cresta and Rock Creek hydro plants and appurtenances.

Applicant's gross construction expenditures in 1946 are reported at \$44,305,000 and for 1947 at \$100,301,000. It estimates that during the years 1948 to 1951 its construction expenditures will exceed \$300,000,000.

In Exhibit "B", Applicant reports unreimbursed capital expenditures to November 30, 1947, in the amount of \$181,033,993.68. They have been financed from internal sources, the principal items of which are the provisions made for depreciation and amortization and unappropriated earnings.

For the purpose of making provision for the partial reimbursement of Applicant's treasury and providing Applicant with cash for use in the payment in part of said construction expenditures, Applicant proposes to issue, sell and deliver at and for the par value thereof, not exceeding 686,953 shares of its common stock of the par value of \$25 per share and of the aggregate par value of not exceeding \$17,173,825.

The 686,953 shares of common stock which Applicant asks permission to issue will be offered pro rata for subscription at par, \$25 a share, to the holders of record at the close of business on February 27, 1948, of its common stock, in the ratio of one share for each ten shares then held. Transferable warrants will be issued to holders of common stock to represent subscription rights to which they are entitled. Under Applicant's present program, the subscription rights must be exercised on or before April 9, 1948.

Applicant's outstanding 6,869,524 shares of common stock are owned by 76,059 stockholders. The following statement shows the distribution of the stock holdings by size of holdings:

1 to	5 shares each	6,189
6 to	10 " "	5,709
11 to	25 " "	19,985
26 to	50 " "	15,316
51 to	100 " "	14,306
101 to	200 " "	9,781
201 to	500 " "	3,600
501 to	1,000 " "	695
Over	1,000 " "	478

Applicant is at this time unable to state how many of said stockholders will exercise the subscription rights to be granted to them. It believes, however, that they will be exercised by such a large number as will warrant it to ask relief from filing with the Commission a report required by the Commission's General Order No. 24-A, which, among other things, calls for the name of each purchaser of stock. Applicant will keep in its office a full and complete record in respect to the subscriptions for shares of its common stock and certificates to be issued. Such record will be permanently kept and maintained by Applicant. Applicant, following the closing date for the exercise by its stockholders of their rights to subscribe for additional shares of Applicant's common stock, proposes to make a detailed analysis of the entire transaction for the purpose of determining, among other things, the total number of common stockholders who exercised their subscription rights, as well as the numbers and percentages of such stockholders having various sizes of holdings who exercised their subscription rights. The Commission will, in lieu of a report under its General Order No. 24-A, receive such report, it being assumed that the report will show the total proceeds realized by Applicant through the issue of not exceeding 686,953 shares of its common stock.

There is no doubt that Applicant has need for the money which it will realize through the issue of not exceeding 686,953 shares of common stock. It should, however, be understood that in fixing Applicant's rates the Commission does not regard the dividends paid per share on common stock as representing the cost of money obtained through the issue of common stock.

The following form of Order is recommended.

O R D E R

The Commission having considered the evidence submitted at the hearing had on February 9, 1948, on this application, and it being of the opinion that the money, property or labor to be procured or paid for through the issue and sale of said shares of stock is reasonably required for the purposes specified herein, which purposes 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 issue, sell and deliver, on or before May 15, 1948, at not less than the par value thereof, not exceeding 686,953 shares of its common capital stock of the aggregate par value of not exceeding \$17,173,825, such shares of stock to be offered to the holders of its common stock on the basis indicated in this application, and use the proceeds to reimburse its treasury in part on account of capital expenditures made on or before November 30, 1947, and/or to pay in part the cost of additions to, extensions of and betterments or improvements to its plants, properties and facilities, made or to be made subsequent to November 30, 1947, provided that only such expenditures as are chargeable to fixed capital accounts under the Uniform System of Accounts prescribed by the Commission, or in the absence thereof, in accordance with sound accounting practices, may be financed by the proceeds to be received through the issue and sale of the stock herein authorized.

2. Pacific Gas and Electric Company shall, within six (6) months after the issue, sale and delivery of said shares of stock, file with the Commission a copy of the report referred to in Sub-division V of its petition, together with a statement showing total proceeds realized through the issue and sale of said shares of stock and the expenses incurred by it in connection with the issue, sale and delivery of said shares of stock.

3. The authority herein granted is effective upon the date hereof.

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 10th day of February, 1948.

R. T. Dunning
Justice J. Green
James H. Rayell
Harold P. Hale
Herbert D. Potter
Commissioners