

Decision No. 41245

**ORIGINAL**

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 )  
 Public Utilities Commission of the )  
 State of California authorizing )  
 applicant to execute and deliver )  
 credit agreements and unsecured )  
 notes pursuant thereto, and use the )  
 proceeds thereof for the purposes )  
 set forth herein. )  
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 )

Application  
No. 29086

Robert E. Gerdes and R. W. DuVal, by 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.

HULLS, Commissioner

O P I N I O N

In this application, Pacific Gas and Electric Company asks permission to execute and deliver credit agreements in, or substantially in, the form of the credit agreement filed as Exhibit "2", said credit agreements providing applicant with a credit at any one time of not exceeding \$80,000,000, and to issue, for the purposes hereinafter stated, under the terms and conditions of said credit agreements, notes to the sum of not exceeding \$80,000,000 at any one time outstanding.

In Application No. 29038, which is made a part of this application by reference, applicant reports its unreimbursed capital expenditures as of November 30, 1947, at \$181,033,993.68.

It is further shown in said application and by evidence presented in support thereof, that as of November 30, 1947, the unexpended balances of applicant's General Managers authorizations amounted to \$189,569,607.01. Applicant reports that its major projects now under way and planned for completion by the end of 1951 will amount to more than \$350,000,000. Some of these are included in the \$189,569,607.01.

By Decision No. 41204, dated February 10, 1948, in Application No. 29038, the Commission authorized applicant to issue not exceeding 686,953 shares of its capital stock, of the aggregate par value of \$17,173,825, 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. Except for the authority granted by Decision No. 41204, the Commission has not authorized applicant to issue any securities to finance in part said construction expenditures.

While applicant intends to finance its construction program on a permanent basis through the issue and sale of its securities, it has made arrangements, in order to provide added flexibility to its financial operations, for a line of bank credit of not exceeding \$80,000,000. A copy of the agreement under which applicant proposes to obtain said credit is on file in this application as Exhibit "2". The following statement shows the names of the Banks who are parties to the agreement, and the maximum commitment of each Bank:

<u>Name of Bank</u>	<u>Commitment</u>
American Trust Company	\$ 2,000,000
The Anglo California National Bank of San Francisco	2,000,000
Bank of America National Trust and Savings Association	5,000,000
The Bank of California National Association	1,500,000
Crocker First National Bank of San Francisco	1,600,000
Wells Fargo Bank and Union Trust Company	1,400,000
Continental Illinois National Bank and Trust Company of Chicago	5,000,000
The Farmers and Merchants National Bank of Los Angeles	1,000,000
Security-First National Bank of Los Angeles	2,000,000
Union Bank and Trust Company of Los Angeles	500,000
Bankers Trust Company	7,500,000
The Chase National Bank of the City of New York	10,000,000
Chemical Bank and Trust Company	2,500,000
The First National Bank of the City of New York	5,000,000
Guarantee Trust Company of New York	12,000,000
Manufacturers Trust Company	2,500,000
J.P. Morgan and Company, Incorporated	2,500,000
The National City Bank of New York	12,500,000
The New York Trust Company	1,000,000
Mellon National Bank and Trust Company	2,500,000
Total	<u>\$80,000,000</u>

Under the credit agreements, American Trust Company will be the Agent for the Banks. Each of the Banks severally agrees to loan to applicant, subject to the terms and conditions set forth in the credit agreements, an amount not exceeding that shown above. The loans may be made at any time, and from time to time, from March 1, 1948, to and including March 1, 1950. No loan shall mature later than March 1, 1950. Each borrowing under the agreements shall be made pro rata from the Banks according to their respective commitments and shall be in an aggregate principal amount of \$4,000,000, or multiples thereof. Each loan from each Bank shall be evidenced by a note of the Company, in substantially the form of the note attached to the credit agreement as Exhibit "B", with appropriate insertions bearing the date of

the loan and its maturity which, as stated, shall not be later than March 1, 1950. The notes shall bear interest at the rate of 1-3/4% per annum until March 1, 1949, and at the rate of 2% per annum thereafter until March 1, 1950. Applicant agrees to pay to the Agent for the account of each Bank quarterly on the first days of June, September, December and March of each year to and including March 1, 1950, a commitment fee computed at the rate of 1/2 of 1% per annum on the daily average unused amount of the commitment of such Bank during the preceding quarter. Applicant reserves the right to terminate or proportionately reduce the credit commitments of the Banks at any time by giving not less than ten days' written notice to the Agent. Any reduction of the commitments of the Banks shall be in the aggregate amount of \$4,000,000, or multiples thereof. Applicant has the right at any time, or from time to time, upon ten days' written notice to the Agent to prepay the notes, in whole or in part. Reference is made to the credit agreements for their specific terms and conditions.

The testimony shows that the execution of the credit agreements and the issue of notes thereunder will minimize the need for maintaining unusually large cash balances in advance of actual requirements, and will afford applicant broader latitude in endeavoring to select the most advantageous times at which permanent financing may be undertaken. It regards the credit agreements as a form of financial insurance that funds will be available to carry forward its construction program. It is the intention of applicant, as said, to pay any notes issued under the agreements through the issue and sale of its stocks or bonds.

Moneys borrowed under the credit agreements will be used by applicant to reimburse its treasury in part on account of capital expenditures made on or prior to November 30, 1947, 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, and to discharge or lawfully refund its obligations issued under the terms of the credit agreements.

The order herein will exempt the execution of the credit agreements and the issue of notes thereunder from the provisions of Decision No. 38614, dated January 15, 1946.

The following form of order is recommended.

ORDER

The Commission having considered the evidence submitted at the hearing had on February 20, 1948, on this application, and it being of the opinion that the money, property or labor to be procured or paid for through the execution and delivery of credit agreements and issue of notes thereunder herein authorized is reasonably required by Pacific Gas and Electric Company 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, after the effective date hereof and on or before May 1, 1948, execute and deliver credit agreements in, or substantially in, the form of the credit agreement on file in this application as Exhibit "2", said agreements providing applicant with a credit at any one time of not exceeding \$80,000,000.

2. Pacific Gas and Electric Company may, after the effective date hereof, and for the purposes hereafter stated, issue, under the terms and conditions of said credit agreements, notes to the sum of not exceeding \$80,000,000 at any one time outstanding, and refund said notes through the issue of new notes as provided in said credit agreements.

3. Pacific Gas and Electric Company shall use the proceeds of said notes to reimburse its treasury in part on account of capital expenditures made on or prior to November 30, 1947, 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, or to discharge or lawfully refund its obligations under the terms and conditions of said credit agreements.

4. The execution of said credit agreements and the issue of notes thereunder are exempt from the provisions of the Commission's Decision No. 38614, dated January 15, 1946, in Case No. 4761.

5. 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.

6. Within thirty (30) days after the execution and delivery of said credit agreements, Pacific Gas and Electric Company shall file with the Commission a copy of each agreement executed under the authority herein granted. Applicant shall also, from time to time, file with the Commission a copy of each note issued under the authority herein granted and a statement showing, in general, the purposes for which the proceeds of such notes were expended.

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 24<sup>th</sup> day of February, 1948.

*R. J. Davidson*  
*Justin F. Green*  
*Frank H. Kuller*  
*Harold A. Kile*  
*Samuel D. Miller*  
Commissioners

