

Decision No. 41643

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 Commission finding)
 that the proposed issuance and sale)
 by applicant of 1,000,000 shares)
 (\$25,000,000 aggregate par value) of)
 a new series of first preferred stock)
 should not be required at competitive)
 bidding and declaring the issuance)
 and sale thereof exempt from the pro-)
 visions of the Commission's Decision)
 No. 38614 (46 C.R.C. 281) issued)
 January 15, 1946 in Case No. 4761.)
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ORIGINAL

Application
No. 29353

Robert W. Gerdes and R. W. DuVal, for Applicant;
John J. O'Toole, Dion R. Holm and Paul L. Beck,
 by Paul L. Beck, Chief Valuation and Rate Engineer,
 for the City and County of San Francisco, inter-
 ested party.

O P I N I O N

Pacific Gas and Electric Company asks the Commission for an order exempting the issue and sale by it of 1,000,000 shares (\$25,000,000 par value) of a new series of preferred stock from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

Said Decision No. 38614, among other things, provides that on the filing of an appropriate application and after a hearing had thereon, the Commission may exempt, after due showing, any security from its competitive bidding rule.

The following statement shows Applicant's authorized and outstanding stock:

<u>Classification of Capital Stock</u>	<u>Number of Shares Authorized</u>	<u>Shares Issued and Out-standing</u>	<u>Aggregate Value - Shares Issued and Outstanding</u>	<u>Par</u>
Common:	10,000,000	7,540,296	\$188,507,400	
First Preferred:				
6%	4,211,662	4,211,662	105,291,550	
5½%	1,173,163	1,173,163	29,329,075	
5%	400,000	400,000	10,000,000	
Redeemable cumulative series designations and terms unspecified	<u>2,215,175</u>	<u>---</u>	<u>---</u>	
Total	18,000,000	13,325,121	\$333,128,025	

On April 30, 1948, Applicant had outstanding \$399,092,000 of bonds. Its earned and capital surplus amounted to \$60,426,993. In Exhibit "1", Applicant reports its actual capitalization ratios as of April 30, 1948, and what those ratios would have been had the \$25,000,000 of preferred stock been outstanding. The actual and pro forma capital ratios follow:

<u>Item</u>	<u>Actual</u>	<u>Pro Forma</u>
Bonds	50.35%	48.81%
Preferred stock	18.25	20.74
Common equity:		
Common stock at par	23.78	23.06
Earned and capital surplus	<u>7.62</u>	<u>7.39</u>
Sub-Total	<u>31.40</u>	<u>30.45</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The record shows that Applicant's construction expenditures for the remainder of this year will be about \$12,000,000 a month. Because of such expenditures Applicant finds it necessary to raise additional capital. It believes that some of this capital should be obtained from the issue and sale of preferred stock.

Applicant asks permission to dispose of the 1,000,000 shares of new preferred stock by means of a negotiated sale. It believes that because of the size of the issue and the condition of the preferred stock market that a negotiated sale will afford a greater certainty of success in the disposition of the said shares of stock than if competitive bids were invited for their purchase. Evidence was presented in support of Applicant's request.

The order herein will exempt the issue of said shares of stock from the provisions of the order in Decision No. 38614. The order does not authorize Applicant to issue said shares of stock. The Commission reserves jurisdiction to revoke the exemption herein granted if the terms and conditions under which Applicant proposes to issue and sell the shares of stock are hereafter found to be unsatisfactory.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application and it being of the opinion that the issue and sale of 1,000,000 shares of a new series of preferred stock by Pacific Gas and Electric Company should be exempt from the provisions of Decision No. 38614, dated January 15, 1946, therefore,

IT IS HEREBY ORDERED that the issue and sale of 1,000,000 shares of a new series of preferred stock by Pacific Gas and Electric Company be, and it is hereby, exempt from the provisions of Decision No. 38614, dated January 15, 1946.

IT IS HEREBY FURTHER ORDERED that the Commission retains jurisdiction over the issue and sale of said 1,000,000 shares of a new series of preferred stock by Pacific Gas and Electric Company.

IT IS HEREBY FURTHER ORDERED that this order is effective as of this date.

Dated at San Francisco, California, this 25th day of May, 1948.

R. J. Anderson
Justice J. G. Galloway
Grant Lowell
Harold K. Hule
Herbert Potter
Commissioners