Decision No. 41770

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

(Amended Title) 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 issue, sell and deliver 1,000,000 shares (par value $25.00 per share) of 5% Redeemable First Preferred Stock, and to use the proceeds thereof for the purposes herein set forth.	Application No. 29394

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

HULS, Commissioner

O P I N I O N

Pacific Gas and Electric Company asks the Commission to make its order authorizing Applicant to issue and sell, for the purposes hereafter stated, at $25.30 per share, 1,000,000 shares (par value of $25 per share) of its 5% Redeemable First Preferred Stock of the aggregate par value of $25,000,000.

Pacific Gas and Electric Company is a corporation duly organized and existing under and by virtue of the laws of the State of California. It is an operating public utility, engaged principally in the business of generating, purchasing, distributing and selling electric energy for domestic, commercial, industrial, agricultural and municipal purposes, and in purchasing, transmitting, distributing and selling natural gas for domestic, commercial and industrial purposes throughout a large part of northern and central California. Applicant is also engaged in distributing and selling water in 17 cities and towns and in certain rural areas, and producing and selling steam in certain parts of the Cities of San Francisco and Oakland. Its only subsidiaries are Valley Electrical Supply Company, which sells electrical appliances in the City of Fresno; Arlington Properties Company, Ltd., which owns certain non-operative properties; and Western Canal Company, a wholly owned subsidiary, which transferred all property and assets held in its name to Applicant on December 31, 1947.

Applicant and its subsidiaries for the 12 months ended December 31, 1946, December 31, 1947, and April 30, 1948, report earnings as follows:

	12 Months Ended		
	December 31		April 30,
	1946	1947	1948
Gross operating revenues:			
Electric department	$118,267,192	$127,745,550	$131,182,661
Gas department	48,606,996	55,443,351	59,377,256
Other departments	1,004,348	1,130,603	1,203,854
Total gross operating revenues	$167,878,536	$184,319,504	$191,763,771
Operating expenses:			
Maintenance and repairs	$ 6,842,738	$ 9,440,943	$ 9,639,924
Depreciation and amortization	26,518,734	22,294,709	22,707,157
Taxes (including Federal taxes on income)	35,994,984	34,274,659	34,252,307
Production, transmission, distribution, general and other	63,560,402	83,310,845	90,553,346
Total operating expenses	$132,916,858	$149,321,156	$157,152,734
Net operating revenues	$ 34,961,678	$ 34,998,348	$ 34,611,037
Miscellaneous income	405,869	267,455	443,868
Gross income	$ 35,367,547	$ 35,265,803	$ 35,054,905

(continued)

	12 Months Ended December 31 1946	1947	April 30, 1948
Income deductions:			
Interest on funded debt	$ 9,498,292	$ 10,448,828	$ 11,129,827
Amortization of net bond discount and expense	432,023	433,490	437,005
Interest charged to construction	379,178*	1,240,015*	1,772,617*
Special charges equivalent to reductions in Federal taxes on income arising from bond refunding operations, etc.	64,472		
Other income deductions	306,491	344,144	453,237
Total	$ 9,922,100	$ 9,986,447	$ 10,247,452
Net income	$ 25,445,447	$ 25,279,356	$ 24,807,453
Dividends on preferred stock of the company	$ 8,430,856	$ 8,430,856	$ 8,430,857
Balance of net income after preferred dividends	$ 17,014,591	$ 16,848,500	$ 16,376,596

*Denotes red figures.

Applicant during the period mentioned has paid dividends on its Common stock at the rate of $2.00 per share. For the twelve months ended December 31, 1946, such dividends amounted to $12,522,548, and for 1947 to $13,130,715.

The following statement shows Applicant's authorized and outstanding capital stock as of April 30, 1948:

Class of Stock	Shares Authorized	Shares Outstanding	Par Value
First preferred stock:			
6% cumulative	4,211,662	4,211,662	$105,291,550
5½% cumulative	1,173,163	1,173,163	29,329,075
5% cumulative	400,000	400,000	10,000,000
Redeemable-unclassified in series	2,215,175	None	None
Common stock	10,000,000	7,540,379	188,509,475
Total	18,000,000	13,325,204	$333,130,100

Applicant's funded debt as of April 30, 1948, is reported at $399,092,000. Its funded debt consists of the following:

San Joaquin Light and Power Corporation Unifying and Refunding Mortgage non-callable 6% bonds due 1952	$ 7,889,000
Pacific Gas and Electric Company First and Refunding Mortgage -	
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	78,745,000
Series N 3% bonds due December 1, 1977	48,382,000
Series O 3% bonds due December 1, 1975	12,400,000
Series P 2-3/4% bonds due June 1, 1981	24,628,000
Series Q 2-7/8% bonds due December 1, 1980	73,825,000
Total	$399,092,000

On April 30, 1948, Applicant's outstanding bonds constituted 50.35% of its total capitalization and surplus, preferred stock 18.25%, common stock 23.78% and surplus 7.62%. The corresponding percentages after the issue of the $25,000,000 of preferred stock will be 48.81%, 20.74%, 23.06% and 7.39%, respectively.

Pursuant to the authority granted by Decision No. 41245, dated February 24, 1948, in Application No. 29086, Applicant executed certain credit agreements under which it may borrow, subject to the terms and conditions of the agreements, $80,000,000. The testimony shows that Applicant to date has borrowed $12,000,000 under the credit agreements.

It is of record that as of March 31, 1948, Applicant had unexpended balances under its General Manager's Authorizations for capital additions and improvements of its properties in the amount of $165,729,375.21, segregated as follows:

Electric	$151,324,313.86
Gas	11,584,251.39
Water	287,400.62
Steam sales	28.06
Non-operative	22,949.17
Common utility	2,510,432.11
Total	$165,729,375.21

It is further of record that Applicant has expended for the acquisition and construction of properties and the improvement of its facilities $197,558,402.91, against which it has not been authorized to issue any stocks or bonds. As stated, it has recently borrowed under its bank credit agreements $12,000,000 to carry forward its construction program. Its monthly construction expenses exceed $12,000,000.

To provide itself with funds to pay money borrowed under its credit agreements and to reimburse its treasury because of income expended for the acquisition and construction of properties and 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 March 31, 1948, Applicant asks permission to issue and sell 1,000,000 shares ($25,000,000 par value) of its 5% Redeemable First Preferred Stock.

Applicant has entered into an agreement to sell the 1,000,000 shares of 5% Redeemable First Preferred Stock to Underwriters represented by Blyth & Co., Inc. A copy of the agreement is on file in this application as Exhibit "7". The Underwriters agree to pay Applicant $25.30 per share flat for the stock and offer the same for sale at $26.50 per share, or on a 4.72% basis. Applicant reserves the right to redeem the 1,000,000 shares of stock at $28.25 per share if redeemed on or before July 31, 1953, at $27.75 per share if redeemed thereafter and on or before July 31, 1958, at $27.25 per share if redeemed thereafter and on or before July 31, 1963, and at $26.75 per share if redeemed thereafter, plus accrued and accumulated unpaid dividends.

The Commission by Decision No. 41643, dated May 25, 1948, exempted the issue and sale of the 1,000,000 shares of 5% Redeemable First Preferred Stock from the provisions of Decision No. 38614, dated January 15, 1946. The record in this application does not warrant the revocation of such exemption.

I herewith submit the following form of Order.

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 money, property or labor to be procured or paid for through the issue and sale of said 1,000,000 shares of 5% Redeemable First Preferred Stock by Pacific Gas and Electric Company is reasonably required by said 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 issue, sell and deliver, on or before August 31, 1948, at not less than $25.30 per share, not exceeding 1,000,000 shares of its 5% Redeemable First Preferred Stock, and use the proceeds derived through the

issue and sale of said Preferred Capital Stock for the purpose of discharging, in whole or in part, its obligations incurred or to be incurred under the terms of credit agreements executed by it pursuant to the authorization of this Commission in Decision No. 41245, dated February 24, 1948, or to reimburse its treasury in part on account of capital expenditures made on or prior to March 31, 1948; or to pay in part the cost of additions to, extensions of, and betterments or improvements to Applicant's plants, properties and facilities, made or to be made subsequent to March 31, 1948; provided that only such expenditures as are chargeable to fixed capital accounts under the uniform systems 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 said shares of stock.

2. 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.

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 28th day of June, 1948.

R. E. Mittelstaedt
Justus F. Craemer
Ira H. Rowell
Harold P. Huls
Kenneth Potter
Commissioners