

Decision No. 42071

**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 issue and sell )  
\$75,000,000 aggregate principal )  
amount of its First and Refunding )  
Mortgage Bonds, Series R, due )  
June 1, 1982, and to use the proceeds )  
thereof for the purposes stated in )  
this petition. )

Application  
No. 29674

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

HULS, Commissioner

O P I N I O N

In this application, Pacific Gas and Electric Company asks permission to issue and sell for the purposes hereafter stated, at a price to be fixed by the Commission in a supplemental order, \$75,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, Series R, due June 1, 1982. Applicant further asks the Commission to permit it to deviate from the provisions of the order in Decision No. 38614, dated January 15, 1946, and publish its invitation for the purchase of the bonds for not less than seven days in lieu of the ten days required by said Decision No. 38614. Applicant further asks permission, pending the preparation and delivery of definitive bonds, to execute and deliver temporary bonds under the same terms and

conditions as those under which Applicant may issue and sell definitive bonds.

Applicant had, as of July 31, 1948, stocks and bonds outstanding in the hands of the public as follows:

Common stock		\$188,509,475
Preferred stocks:		169,620,625
First Preferred Stock, 6%	\$105,291,550	
First Preferred Stock, 5½%	29,329,075	
First Preferred Stock, 5%	10,000,000	
Redeemable First Preferred Stock, 5%	25,000,000	
Bonds:		398,169,500
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	18,719,000	
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	78,720,000	
Series N 3% Bonds due		
December 1, 1977	48,382,000	
Series O 3% Bonds due		
December 1, 1975	12,400,000	
Series P 2-¾% Bonds due		
June 1, 1981	24,608,000	
Series Q 2-7/8% Bonds due		
December 1, 1980	72,983,000	
San Joaquin Light and Power Corporation Unifying and Refunding Mortgage 6% Bonds (non-callable) due March 1, 1952 (assumed by Applicant)	7,878,500	

The \$75,000,000 of First and Refunding Mortgage Bonds, Series R, which Applicant now asks permission to issue, will be dated June 1, 1948, and mature June 1, 1982. The bonds will bear interest at the rate per annum specified in the bid hereafter accepted by Applicant. The interest will be payable semi-annually

on December 1 and June 1 of each year. The payment of the bonds will be secured by Applicant's First and Refunding Mortgage, as amended.

Had the \$75,000,000 of bonds been outstanding on July 31, 1948, Applicant's capitalization ratios would have been as follows:

Bonds	53.0%
Preferred stock	19.0%
Common stock	21.1%
Surplus	<u>6.9%</u>
Total	<u>100.0%</u>

In Exhibit "B", Applicant reports that to July 31, 1948, it expended for capital purposes the sum of \$208,958,944.95 for which its treasury has not been reimbursed through the issue of stocks or bonds.

It is of record that Applicant has borrowed from several banks \$12,000,000 under the credit agreements executed pursuant to the authority granted by Decision No. 41245, dated February 24, 1948. The testimony shows that Applicant's construction expenditures for a number of months past have been at the rate of about \$12,500,000 per month and that said rate of expenditures will continue for some months to come. Its unexpended balances under General Manager's authorizations for capital additions and improvements of its properties, as of June 30, 1948, amounted to \$255,935,196.46, segregated as follows:

Electric	\$238,484,920.24
Gas	14,929,410.19
Water	796,675.03
Steam sales	28.07
Non-operative	22,949.17
Common utility	<u>1,701,213.76</u>
Total	<u>\$255,935,196.46</u>

As of September 17, 1948, Applicant had cash on hand and on deposit of about \$16,000,000 and \$5,000,000 invested in United States Treasury Bills.

Applicant proposes to use the bond proceeds exclusive of accrued interest, to discharge, in whole or in part, its obligations (now \$12,000,000) incurred under the terms of said credit agreements, or to reimburse its treasury in part on account of capital expenditures made on or prior to June 30, 1948, or to pay in part the cost of additions to, extensions of, and betterments or improvements to Applicant's plants, property or facilities made, or to be made, subsequent to June 30, 1948. It would use the accrued interest for general corporate purposes.

Applicant intends 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, for the purpose of inviting bids for the purchase of the bonds, not later than September 27, it will publish its invitation for bids for the bonds on September 28 and open the bids for the purchase of the bonds at 8:30 a.m. California Daylight Saving Time on October 5, 1948, at the office of its Treasurer, 2nd Floor, 245 Market Street, San Francisco, California. Applicant, as stated, asks permission to publish its invitation for bids not less than seven days in lieu of ten days required by Decision No. 38614.

While the order herein will authorize Applicant to use part of the bond proceeds to reimburse in part its treasury, it should not be construed as a finding by the Commission that all of

the expenditures referred to in Exhibit "B" are appropriate charges to fixed capital or investment accounts.

I recommend the following form of Order:

O 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 principal amount of First and Refunding Mortgage Bonds, Series R, due June 1, 1982, 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 October 31, 1948, issue and sell at a price to be fixed by the Commission in a supplemental order, \$75,000,000 principal amount of its First and Refunding Mortgage Bonds, Series R, due June 1, 1982.

2. Pacific Gas and Electric Company shall use the proceeds, exclusive of accrued interest, derived from the issue and sale of said bonds, to pay said \$12,000,000 of notes issued under the terms of the credit agreements executed by it pursuant to the

authorization contained in Decision No. 41245, to reimburse its treasury in part on account of capital expenditures made on or prior to June 30, 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 June 30, 1948. Applicant may use the accrued interest 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 aggregate principal 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 seven (7) 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 to issue and sell said \$75,000,000 of bonds 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. All other authority herein granted is effective upon the date hereof.

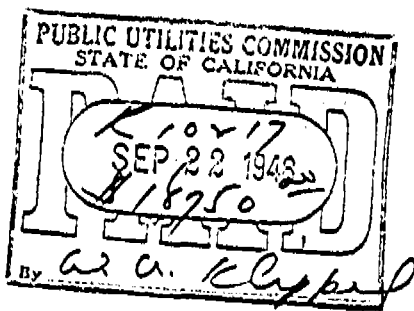
6. Pacific Gas and Electric Company shall file with the Commission such report, or reports, as are required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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 Commission a complete copy of the registration statement filed with the Securities and Exchange Commission, except for the exhibits referred to therein which have heretofore been filed with the 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 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 21<sup>st</sup> day of September, 1948.



*R. E. Dinkerman*  
*Justice J. G. Gorman*  
*Chief of Staff*  
*Harold P. Kula*  
*Commissioners*