

Decision No. 42502

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 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. 30003
to the amount, and for the purposes)
set forth herein; and relieving appli-)
cant of the necessity of complying with)
the requirements of Section 4, 1 of)
said Commission's General Order No. 24-A.)
-----)

Robert H. Gerdes and R. W. DuVal, for Applicant;
John J. O'Toole, City Attorney, Dion R. Holm,
Assistant City Attorney, and Paul L. Beck, Chief
Valuation Engineer, City Attorney's Office, 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 754,038 shares of its common capital stock of the par value of \$25 per share and of the aggregate par value of \$18,850,950, and use the proceeds to reimburse its treasury in part on account of capital expenditures made on or prior to October 31, 1948, 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 October 31, 1948.

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, 1948:

<u>Classification of Capital Stock</u>	<u>Number of Shares Authorized</u>	<u>Shares Issued and Outstanding</u>	<u>Aggregate Par Value--Shares Issued and Outstanding</u>
First Preferred:			
6%	4,211,662	4,211,662	\$105,291,550
5 1/2%	1,173,163	1,173,163	29,329,075
5%	400,000	400,000	10,000,000
5% Redeemable	1,000,000	1,000,000	25,000,000
Redeemable First Pfd. Stock, Unclassified in Series	1,215,175	--	--
Common:	<u>10,000,000</u>	<u>7,540,379</u>	<u>188,509,475</u>
Total	<u>18,000,000</u>	<u>14,325,204</u>	<u>\$358,130,100</u>

Applicant had, as of December 31, 1948, outstanding in the hands of the public \$471,451,500 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 bonds, due March 1, 1952 (assumed by Applicant)	\$ 7,876,500
Pacific Gas and Electric Company First and Refunding Mortgage Bonds:	
Series I 3 1/2% Bonds due June 1, 1966	927,000
Series J 3% Bonds due December 1, 1970	18,669,000
Series K 3% Bonds due June 1, 1971	23,839,000
Series L 3% Bonds due June 1, 1974	109,598,000
Series M 3% Bonds due December 1, 1979	78,575,000
Series N 3% Bonds due December 1, 1977	48,182,000
Series O 3% Bonds due December 1, 1975	12,400,000
Series P 2-3/4% Bonds due June 1, 1981	24,583,000
Series Q 2-7/8% Bonds due December 1, 1980	72,252,000
Series R 3-1/8% Bonds due June 1, 1982	74,550,000
Total	<u>\$471,451,500</u>

The following statement shows Applicant's capitalization, including its surplus, ratios as of December 31, 1948:

Bonds	52.8%
Preferred stock	19.0%
Common stock	21.1%
Surplus	<u>7.1%</u>
Total	<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, 1948, the unexpended balance of its General Manager's authorizations for capital additions and improvements of its properties in progress of construction amounted to \$298,222,053.05. The amount is segregated as follows:

Electric	\$222,460,469.58
Gas	73,292,884.04
Water	829,640.24
Steam Sales	1,950.00
Non-operative	11,890.76
Common Utility	<u>1,625,218.43</u>
Total	<u>\$298,222,053.05</u>

In Exhibit "2", Applicant reports that for 1946 its expenditures for construction amounted to \$44,305,000, in 1947 to \$100,301,000, and in 1948 to \$158,000,000. Applicant estimates that its "expenditures for construction will aggregate approximately \$450,000,000 during the years 1949 to 1951, inclusive, although its actual construction may be substantially less or more than said amount".

In Exhibit "B", Applicant reports unreimbursed capital expenditures to October 31, 1948, in the amount of \$182,291,072.95.

They have been financed from internal sources, the principal item of which is the provision made for depreciation.

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 754,038 shares of its common stock of the par value of \$25 per share and of the aggregate par value of not exceeding \$18,850,950.

The 754,038 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 25, 1949, 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 may be exercised only during the period commencing March 21, 1949, and ending April 8, 1949. The record shows that Applicant at this time has no plan for the sale of shares not subscribed for by the holders of its common shares. If it concludes to undertake the sale of unsubscribed-for shares, it will file a supplemental petition for permission to issue and sell the same.

Applicant's outstanding 7,540,379 shares of common stock are owned by 83,926 stockholders. The following statement shows the distribution of the stock holdings by size of holdings:

<u>Stockholders Owning</u>		<u>Number of Holders</u>	<u>Percent of Total</u>
1 to 5	Shares each	9,097	10.83
6 to 10	" "	5,454	6.50
11 to 25	" "	19,914	23.73
26 to 50	" "	16,339	19.47
51 to 100	" "	16,321	19.45
101 to 200	" "	11,284	13.45
201 to 500	" "	4,247	5.06
501 to 1000	" "	759	.90
Over 1000	" "	<u>511</u>	<u>.61</u>
Total		<u>83,926</u>	<u>100.00</u>

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 number 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 754,038

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 754,038 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 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 10, 1949, 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, 1949, at not less than the par value thereof, not exceeding 754,038 shares of its common capital stock of the aggregate par value of not exceeding \$18,850,950, 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 October 31, 1948, 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 October 31, 1948, 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. The Commission retains jurisdiction to fix the price at which Applicant may issue and sell any of said shares unsubscribed-for pursuant to the offer made the holders of its common stock.

3. Pacific Gas and Electric Company shall, within six (6) months after the issue, sale and delivery of said shares of stock or any part thereof, 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.

4. 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 15th day
of February, 1949.

R. J. Zimmerman
Justin F. Garner
Frank H. Lewis
Harold P. Kils
Samuel R. Potter
Commissioners