

ORIGINAL

Decision No. 42719

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 authorizing)
 applicant to issue, sell and deliver)
 1,500,000 shares (par value \$25.00)
 each) of _____% Redeemable First)
 Preferred stock, to use the proceeds)
 thereof for the purposes herein set)
 forth, and finding and declaring the)
 issue and sale of said shares of stock)
 exempt from the competitive bidding)
 requirements of Decision No. 38614)
 (46 C.R.C. 281) issued January 15,)
 1946 in Case No. 4761.)
 -----)

Application
No. 30199

Robert W. Gerdes and R. W. DuVal, for Applicant;
Dion R. Holm, City Attorney, Paul L. Beck, Chief
 Valuation and Rate 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

In this application, Pacific Gas and Electric Company, hereafter sometimes called Applicant, asks the Commission to exempt the issue and sale of 1,500,000 shares (par value \$25 per share) of redeemable first preferred stock, of the aggregate par value of \$37,500,000, from the provisions of Decision No. 38614, dated January 15, 1946. Applicant also asks the Commission to authorize the issue and sale of said shares of stock at a price to be fixed by a supplemental order. It desires to use the proceeds derived through the issue and sale of said shares of preferred 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 the Commission in its Decision No. 41245, dated February 24, 1948, or to reimburse its treasury in part on account of capital expenditures made on or prior to January 31, 1949, 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 January 31, 1949.

Applicant is a corporation organized and existing under and by virtue of the laws 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 of purchasing, transmitting, distributing and selling natural gas for domestic, commercial and industrial purposes throughout a large part of northern and central California. It also engages in the distribution and sale of water in 17 cities and towns and certain rural areas, and purchasing and selling steam in certain parts of the Cities of San Francisco and Oakland.

For 1948, Applicant reports operating revenues of \$204,242,240.41, segregated as follows:

Electric Department	\$136,276,138.36
Gas Department	66,562,365.60
Water and Irrigation Department	848,611.36
Steam Sales Department	555,125.09

Applicant's revenues and expenses for the past five years appear in Exhibit "2" on file in this application.

As of March 1, 1949, Applicant had outstanding bonds in the aggregate face amount of \$470,602,000. The following

tabulation shows the interest rate and maturity date of Applicant's outstanding bonds:

<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)	\$ 7,795,000
Pacific Gas and Electric Company First and Refunding Mortgage Bonds:	
Series I 3½% 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	78,525,000
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	72,084,000
Series R 3-1/8% Bonds due June 1, 1982	<u>74,000,000</u>
Total	<u>\$470,602,000</u>

The following statement shows the authorized shares of Applicant's stock and, as of March 1, 1949, the number of shares outstanding and the par value thereof:

<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
5½%	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, Unclassi- fied in Series	5,215,175	---	---
Common:	<u>12,000,000</u>	<u>7,540,379</u>	<u>188,509,475</u>
Total	<u>24,000,000</u>	<u>14,325,204</u>	<u>\$358,130,100</u>

Pursuant to the terms of the credit agreement executed under the authority granted by said Decision No. 41245, Applicant

had as of March 1, 1949, \$12,000,000 of notes outstanding.

The testimony shows that as of January 31, 1949, Applicant had expended for additions to and improvements of its plants, properties and facilities, the sum of \$222,261,499.68 which sum it had not obtained from the issue of stocks and bonds. It further shows that its unexpended balances of General Manager's authorizations for capital additions and improvements of its properties in progress of construction on January 31, 1949, amounted to \$281,002,212.83, made up of the following items:

Electric	\$206,772,865.48
Gas	71,804,844.62
Water	701,996.26
Steam Sales	2,054.47
Non-operative	14,390.76
Common Utility	<u>1,706,061.24</u>
Total	<u>\$281,002,212.83</u>

The testimony further shows that Applicant's current rate of monthly expenditures for capital additions and improvements average about \$15,000,000.

By Decision No. 42502, dated February 15, 1949, the Commission authorized Applicant to issue and sell 754,038 shares of common stock, of the aggregate par value of \$18,850,950. Applicant's capitalization ratios on December 31, 1948, and such ratios after the issue of said 754,038 shares of common stock and the 1,500,000 shares of preferred stock covered in this application, have been and would be as follows:

	<u>December 31, 1948</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Bonds	\$471,452,000	52.8%	\$471,452,000	49.7%
Preferred stock	169,621,000	19.0	207,121,000	21.8
Common equity:				
Common stock	188,527,000	21.1	207,378,000	21.9
Surplus	62,906,000	7.1	62,906,000	6.6
<u>Sub-total</u>	<u>251,433,000</u>	<u>28.2</u>	<u>270,284,000</u>	<u>28.5</u>
Total	<u>\$892,506,000</u>	<u>100.0%</u>	<u>\$948,857,000</u>	<u>100.0%</u>

Applicant, as said, asks the Commission to exempt the issue and sale of said 1,500,000 shares of redeemable first preferred stock from the provisions of the competitive bidding rule contained in Decision No. 38614, dated January 15, 1946. It is the judgment of Applicant's officers that it can obtain better terms and greater certainty of success in selling the stock under a negotiated underwriting, and can effect a better distribution of the stock by such an underwriting than through competitive bidding. Because of Applicant's large construction program, they feel that they should not be required to risk an unsuccessful offering of the stock.

No one appeared at the hearing to protest the granting of Applicant's request.

Applicant will in due time file with the Commission a supplemental application showing the dividend rate on the 1,500,000 shares of redeemable first preferred stock, the price or prices at which said shares may be redeemed, and the price at which it proposes to sell said shares.

The testimony warrants the Commission to grant the exemption requested, and to authorize Applicant to issue 1,500,000 shares of redeemable first preferred stock subject to the provisions of the order herein.

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 by the issue of 1,500,000 shares of redeemable first preferred stock by Pacific Gas and Electric Company is reasonably required by Applicant for the purposes herein stated, that such purposes 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. The issue and sale of 1,500,000 shares of redeemable first preferred stock by Pacific Gas and Electric Company, provided it obtains for said shares a price satisfactory to the Commission, is exempt from the provisions of the order set forth in Decision No. 38614, dated January 15, 1946.
2. Pacific Gas and Electric Company may issue and sell, after the effective date hereof and on or before June 30, 1949, at a price fixed by the Commission in a supplemental order, 1,500,000 shares of its redeemable first preferred stock.
3. Pacific Gas and Electric Company shall use the proceeds derived through the issue and sale of said 1,500,000 shares of redeemable first preferred stock to discharge, in whole or in part, its obligations incurred under the terms of credit agreements

executed by it pursuant to the authorization contained in Decision No. 41245, dated February 24, 1948; to reimburse its treasury in part on account of capital expenditures made on or prior to January 31, 1949; or to pay in part the cost of additions to, extensions of, and/or betterments and improvements to Applicant's plants, properties and facilities made or to be made subsequent to January 31, 1949, and referred to in this application.

4. The authority herein granted to issue and sell said 1,500,000 shares of redeemable first preferred stock will become effective when the Commission by supplemental order has fixed the price at which said shares of stock may be sold. All other authority granted by this order is effective upon the date hereof.

5. Within ninety (90) days after the issue and sale of said 1,500,000 shares of redeemable first preferred stock, Pacific Gas and Electric Company shall file with the Commission a report showing the names of the Underwriters to whom said shares of stock were sold, the number of shares of stock sold to each Underwriter, the consideration received for said shares, and the purposes for which it expended the proceeds obtained from the issue and sale of said shares of stock.

6. On or before September 1, 1949, Pacific Gas and Electric Company shall file with the Commission a report showing in detail its expenses incurred in connection with the issue and sale of said 1,500,000 shares of redeemable first preferred stock.

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 19th day
of April, 1949.

R. Z. Anderson
Justin J. Calver
Walter R. Powell
Harold H. Hill
Samuel P. Patten
Commissioners