

ORIGINAL

Decision No. 43029

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)
 not exceeding 100,000 shares (par)
 value \$25 each) of its 5% redeemable)
 first preferred stock, Series A, to)
 use the proceeds thereof for the pur-)
 poses herein set forth, and finding)
 and declaring the issue and sale of)
 said shares of preferred stock exempt)
 from the competitive bidding require-)
 ments of Decision No. 38614 (46 C.R.C.)
 281) issued January 15, 1946 in Case)
 No. 4761.)
 -----)

Application
No. 30385

R. W. DuVal and Frederick T. Searls, for applicant.

O P I N I O N

In this application, Pacific Gas and Electric Company asks the Public Utilities Commission of the State of California to make its order and decision granting and conferring upon applicant all necessary permission and authority:

(a) To issue and sell to its employees under applicant's proposed Employees' Stock Plan (Exhibit "2") at the price of \$25 per share, not exceeding 100,000 shares (par value \$25 each) of its 5% redeemable first preferred stock, Series A, of the aggregate par value of \$2,500,000; and,

(b) To use the proceeds to be derived from the issue and sale of said shares of redeemable first preferred stock for the purpose

of discharging, in whole or in part, its obligations which may be outstanding under the terms of credit agreements executed by applicant pursuant to the authority granted by Decision No. 41245, or to reimburse its treasury in part on account of capital expenditures made on or prior to March 31, 1949, 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, 1949.

Applicant further asks that the issue and sale of said shares of stock be exempt from the provisions of the competitive bidding rule contained in Decision No. 38614, dated January 15, 1946.

The following statement shows the classification of applicant's capital stock and the number and par value of the shares issued and outstanding as of May 31, 1949:

<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
5% redeemable, Series A	1,600,000	1,500,000	37,500,000
Redeemable first preferred stock, unclassified in series	3,615,175	--	--
Common	12,000,000	8,280,780	207,019,500
Total	<u>24,000,000</u>	<u>16,565,605</u>	<u>\$414,140,125</u>

Counsel for applicant asks the Commission to consider the testimony submitted in connection with Application No. 30356 as part of the record in the pending application. The Commission in Decision

No. 42973, dated June 14, 1949, in Application No. 30356, refers to applicant's construction expenditures for which its treasury has not been reimbursed, and also to its unexpended balances of its General Manager's authorizations. (1)

Applicant proposes to offer said 100,000 shares of stock to its employees, other than directors and principal officers, at \$25 per share, such offer to be made pursuant to the terms of the proposed agreement on file in this application as Exhibit "2". The agreement provides that no employee may subscribe for more than one hundred shares nor for less than five shares. Payment for the shares is to be made in installments (with no right of prepayment)

(1)
From Decision No. 42973:

"Applicant in Exhibit 'B' reports, as of March 31, 1949, unreimbursed capital expenditures of \$230,484,615.92. Since that date applicant obtained \$10,364,550 from the issue and sale of 414,582 shares of common stock authorized by Decision No. 42502, and \$38,625,000 from the issue and sale of 1,500,000 shares of 5% redeemable first preferred stock, Series A, authorized by Decisions Nos. 42719 and 42818. Deducting the two amounts from the \$230,484,615.92 leaves a balance of \$181,495,065.92.

"The unexpended balance of applicant's General Manager's authorizations for capital additions and improvements of its properties, at March 31, 1949, amounted to \$266,605,761.49, made up as follows:

<u>Department</u>	<u>Amount</u>
Electric	\$192,506,390.56
Gas	71,868,701.15
Water	665,445.14
Steam Sales	2,054.47
Non-operative	14,390.76
Common Utility	<u>1,548,779.41</u>
Total	<u>\$266,605,761.49</u>

"The testimony shows that applicant will borrow, on or about June 14, 1949, \$12,000,000 under the credit agreements executed pursuant to the authority granted by Decision No. 41245, dated February 24, 1948. It further shows that applicant's construction expenditures will during the current year amount to about \$15,000,000 a month. As of June 7, 1949, applicant's cash, except for amounts reserved to pay bond interest, totaled about \$17,500,000."

at the rate of \$1 per share per month by payroll deduction, such deduction to be made on the last payroll date preceding the end of the month. Interest will be allowed on installment payments in the form of a credit to the employee's account of \$1 per share following the completion of twenty-four installment payments. The interest allowance is about 4% on the installment payments. An employee will have no right as a stockholder with respect to the shares purchased until the date of the stock certificate issued to him. It is expected that the stock certificates will be issued as of August 1, 1951. An employee's right to subscribe for shares of stock may not be sold, pledged, assigned or transferred in any manner. An employee may cancel his subscription, in whole or in part, at any time. Should he do so, applicant will refund to him all installments credited to his account against the shares canceled, without interest. If an employee is granted a leave of absence or is laid off, he may continue his monthly installment payments in cash. If he does not return to active service upon the expiration of his leave of absence, or within one year from the date of lay-off, his application to purchase shares of stock will be deemed to have been canceled at that time and all payments credited to his account will be repaid with interest at the rate of 2%, compounded semi-annually. Reference is made to the agreement for its specific terms.

It is of record that some of applicant's employees have evinced an interest in the purchase of shares of applicant's stock by means of installment payments. Applicant believes that the sale of said shares of stock will promote thrift and will give its employees a greater interest in applicant's affairs.

It is of record that the bid price for applicant's 5% redeemable first preferred stock, Series A, ranges from \$27.25 to \$27.50 per share, and that the asking price ranges from \$27.75 to \$28 per share. By Decision No. 42818, the Commission authorized applicant to issue and sell 1,500,000 shares of 5% redeemable first preferred stock, Series A, at \$25.75 per share. Applicant will pay the expenses incident to the issue of said 100,000 shares of stock, or any part thereof. To obtain funds to pay, in whole or in part, said expenses, we believe said shares of stock should be sold at a premium of seventy-five cents a share or at a price of \$25.75 per share.

As shown by Decision No. 42973, dated June 14, 1949, in Application No. 30356, applicant has need, for the purposes heretofore stated, for the funds which it will obtain from the issue and sale of said shares of stock.

The issue and sale of said 100,000 shares of stock will be exempt from the provisions of Decision No. 38614, dated January 15, 1946.

Applicant should, on or before October 31, 1949, file with the Commission a report showing the number of its employees who subscribed for shares of said stock, and the aggregate par value of shares for which applicant received subscriptions.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application and being of the opinion that the money, property or labor to be procured or paid for by the issue

and sale of not exceeding 100,000 shares of its 5% redeemable first preferred stock, Series A, is reasonably required by Pacific Gas and Electric Company for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may issue and sell, pursuant to the proposed agreement on file in this application as Exhibit "2", to its employees at a price of not less than \$25.75 per share, not exceeding 100,000 shares of its 5% redeemable first preferred stock, Series A, of the aggregate par value of not exceeding \$2,500,000.

2. The issue and sale of said not exceeding 100,000 shares of 5% redeemable first preferred stock, Series A, is exempt from the provisions of the competitive bidding rule contained in the Commission's Decision No. 38614, dated January 15, 1946.

3. Pacific Gas and Electric Company shall use the proceeds derived from the issue and sale of said not exceeding 100,000 shares of 5% redeemable first preferred stock, Series A, to pay expenses incident to the issue and sale of said shares of stock, or to discharge, in whole or in part, its obligations which may be outstanding under the terms of credit agreements executed by applicant pursuant to the authority granted by Decision No. 41245, or to reimburse its treasury in part on account of capital expenditures made on or prior to March 31, 1949, 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, 1949.

4. Pacific Gas and Electric Company shall file with the Commission, on or before October 31, 1949, a report showing the number of employees who subscribed for shares of said 5% redeemable first preferred stock, Series A, and the aggregate par value of shares for which applicant received subscriptions.

5. The authority herein granted to issue and sell said shares of stock will become effective ten (10) days after the date hereof. All other authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 21st day of June, 1949.

R. B. Anderson
Justice J. Calves
Chas. H. Kaine
Harold A. Hills
Wesley D. Patten
Commissioners