

ORIGINAL

Decision No. 42795

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 4.80% 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. 30900

R. W. DuVal and Frederick T. Searls, for applicant;
Dion R. Holm, City Attorney, and Paul L. Beck,
 Chief Valuation and Rate Engineer in the City
 Attorney's Office, for the City of San Francisco,
 interested party.

EULS, Commissioner

O P I N I O N

Pacific Gas and Electric Company, hereinafter sometimes referred to as applicant, asks permission to issue and sell on a negotiated basis, 1,500,000 shares, \$37,500,000 par value, of 4.80% redeemable first preferred stock, and use the proceeds to discharge, 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 given by Decision No. 41245, dated February 24, 1948, in Application No. 29086, or to reimburse its treasury in part on account of capital expenditures made on or prior to October 31, 1949, or to pay in part the cost of additions to, extensions of, and betterments or improvements to applicant's properties and facilities

made or to be made subsequent to October 31, 1949. If so permitted, the price at which applicant intends to sell said shares of stock will be supplied in a supplemental application.

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 the distribution and sale of steam in certain parts of the Cities of San Francisco and Oakland.

The following statement shows the authorized shares of applicant's stock and the number of shares outstanding and the aggregate par value of said shares as of December 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 $\frac{1}{2}$ %	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	<u>12,000,000</u>	<u>8,280,780</u>	<u>207,019,500</u>
Total	<u>24,000,000</u>	<u>16,565,605</u>	<u>\$414,140,125</u>

Each share of applicant's stock has a par value of \$25. The 1,500,000 shares of 4.80% redeemable first preferred stock which applicant now proposes to issue are a part of the unclassified (3,615,175) authorized shares referred to in the preceding statement.

As of December 31, 1949, applicant had outstanding in the hands of the public \$546,467,500 aggregate principal amount 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)	\$ 7,690,500
Pacific Gas and Electric Company First and Refunding Mortgage Bonds:	
Series I 3 $\frac{1}{4}$ % 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	78,500,000
Series N 3% Bonds due December 1, 1977	48,182,000
Series O 3% Bonds due December 1, 1975	11,800,000
Series P 2-3/4% Bonds due June 1, 1981	24,583,000
Series Q 2-7/8% Bonds due December 1, 1980	71,034,000
Series R 3-1/8% Bonds due June 1, 1982	73,000,000
Series S 3% Bonds due June 1, 1983	78,645,000
Total	<u>\$546,467,500</u>

Pursuant to the terms of the credit agreements executed under the authority granted by said Decision No. 41245, applicant had outstanding on December 31, 1949, \$16,000,000 face amount of notes. It has given notice to members of the credit agreements that on January 9, 1950, it will borrow an additional \$12,000,000. The credit agreements now providing for a total credit of \$48,000,000 expire on March 1, 1950.

Exhibit B on file in this application shows that as of October 31, 1949, applicant expended for additions to and

improvements to its plants, properties and facilities the sum of \$227,149,535.95, which sum it had not obtained from the issue of stocks and bonds. The testimony shows that its unexpended balances of General Manager authorizations for capital additions and improvements of its properties in progress of construction at October 31, 1949, amounted to \$195,300,329.90, segregated as follows:

Electric	\$129,095,427.59
Gas	65,244,229.49
Water	167,885.93
Steam sales	130,282.65
Non-operative	4,542.00
Common utility	<u>657,962.24</u>
Total	<u>\$195,300,329.90</u>

The testimony further shows that applicant's current monthly expenditures for capital additions and improvements average from \$15,000,000 to \$16,000,000.

Applicant's capitalization ratios as of November 30, 1949, and such ratios on a pro forma basis assuming that said \$37,500,000 of 4.80% redeemable first preferred stock had been outstanding, are as follows: ("000" omitted)

Item	Actual Nov. 30, 1949		Pro Forma	
	Amount	Percent	Amount	Percent
Bonds	\$ 546,723	53.2	\$ 546,723	51.4
Preferred stock	207,121	20.2	244,621	23.0
Common equity:				
Common stock	207,020	20.2	207,020	19.5
Surplus	<u>65,482</u>	<u>6.4</u>	<u>65,482</u>	<u>6.1</u>
Sub-total	<u>272,502</u>	<u>26.6</u>	<u>272,502</u>	<u>25.6</u>
Total	<u>\$1,026,346</u>	<u>100.0</u>	<u>\$1,063,846</u>	<u>100.0</u>

There is no doubt but that applicant has need for the proceeds which it will obtain from the sale of said \$37,500,000 par value of preferred stock to pay indebtedness and to carry forward its construction program generally described in Exhibit 2 on file in this application.

Applicant asks the Commission to exempt the issue and sale of said 1,500,000 shares of 4.80% redeemable first preferred stock from the provisions of the competitive bidding rule contained in Decision No. 38614, dated January 15, 1946. E. J. Beckett, applicant's treasurer, testified in support of the exemption. It is his opinion that applicant's preferred stock, because of the recent issues and the large amount outstanding, has no scarcity value, that large preferred stock issues involve substantial market risks and must be sold to many types of investors, that advance market preparation is essential to the successful sale of said shares of stock, that a broad distribution of said shares of stock is desirable, that applicant can exercise greater control over the commission or fees paid to underwriters if shares are sold on a negotiated basis, and that because of applicant's need for funds for construction purposes the successful sale of the stock is essential.

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

The testimony warrants the Commission to grant the exemption requested and to authorize applicant to issue 1,500,000 shares of 4.80% redeemable first preferred stock subject to the provisions of this order.

In due time applicant will file with the Commission a supplemental application showing the price at which it proposes to sell said shares of stock, and the price or prices at which said shares of stock may be redeemed.

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 4.80% 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 4.80% 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 February 15, 1950, at a price fixed by the Commission in a supplemental order, 1,500,000 shares of 4.80% 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 4.80% 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 October 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 October 31, 1949, and referred to in this application.

4. The authority herein granted to issue and sell said 1,500,000 shares of 4.80% redeemable first preferred stock will become effective when the Commission by supplemental order shall have 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 4.80% 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 June 30, 1950, 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 4.80% 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 17th day of January, 1950.

R. F. Anderson
Justice J. C. Quinn
James H. Lamm
Harold P. Hicks
Frederick P. Potter
Commissioners