

ORIGINAL

Decision No. 46301

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 Pre- :  
 ferred stock; 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 require- )  
 ments of Decision No. 38614 (46 C.R.C. :  
 281) issued January 15, 1946 in )  
 Case No. 4761. :  
 ----- )

Application  
No. 32769

Ralph 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, by Paul L. Beck, for the City of  
 San Francisco, interested party.

O P I N I O N

This is an application for an order of the Commission exempt-  
 ing from its competitive bidding rule a proposed issue by Pacific Gas  
 and Electric Company of 1,500,000 shares (\$37,500,000 par value) of  
 redeemable first preferred stock, and authorizing the company to sell  
 said shares, at a price to be fixed in a supplemental order, for the  
 purpose of reimbursing its treasury and of financing the cost of  
 additions, extensions, betterments and improvements to its plants,  
 properties and facilities.

A public hearing on the application was held on October 9,  
 1951. The Commission has received no protests to applicant's requests.

Applicant has an authorized capital stock of 40,000,000  
 shares of the par value of \$25 each, divided equally into shares of

preferred stock and shares of common stock. The following tabulation shows, by classes of stock, the number of shares authorized and the number and par value of the shares issued and outstanding as of September 14, 1951:

Classification of Capital Stock	Number of Shares Authorized	Shares Issued and Outstanding	Aggregate Par Value--Shares Issued and Outstanding
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	1,586,014	39,650,350
4.80% Redeemable	1,500,000	1,500,000	37,500,000
Redeemable First Pfd. Stock, Unclassified in Series	10,115,175	---	---
Common	20,000,000	11,356,498	283,912,450
Totals	<u>40,000,000</u>	<u>21,227,337</u>	<u>\$ 530,683,425</u>

The shares of preferred stock which applicant now proposes to issue will have such dividend rate and such redemption prices as its board of directors hereafter will determine. Applicant reports that the sale of such shares at this time is necessary to enable it to reimburse its treasury and to proceed with its construction program.

The record shows that applicant has been and is making extensive capital expenditures to meet increasing demands for service. During 1946 these expenditures amounted to \$44,305,000, during 1947 to \$100,301,000, during 1948 to \$158,096,000, during 1949 to \$192,480,000, during 1950 to \$168,634,000, and it is estimated by applicant that they will aggregate \$146,000,000 during 1951 and \$150,000,000 during 1952. Applicant reports the total expenditures as of June 30, 1951, for which it has not been reimbursed through the issue of securities, at \$292,269,149 and the unexpended balances of General Manager's authorizations prior to June 30, 1951, at \$250,871,799.71, segregated to departments as follows:

Electric	\$228,103,822.84
Gas	18,972,010.12
Water	361,147.81
Steam sales	139,280.77
Other physical property	6,733.81
Common utility	<u>3,288,804.36</u>
Total	<u>\$250,871,799.71</u>

Exhibit 3 shows that applicant's proposed expenditures include approximately \$28,300,000 for two additional units with an aggregate operating capacity of 235,000 kilowatts to be installed at its Moss Landing Steam Plant during 1952, approximately \$28,200,000 for two additional units with a like operating capacity to be completed in 1953 in its Contra Costa Plant, and approximately \$80,000,000 for a new four-unit plant with an expected operating capacity of 600,000 kilowatts to be known as the Pittsburg Plant to be erected in Contra Costa County, which presently is scheduled for completion in 1953 and 1954. The amounts also include approximately \$11,000,000 for a storage reservoir on the Bear River and a new plant with a rated capacity of 33,000 kilowatts on the North Fork of the Mokelumne River, approximately \$38,000,000 for electric transmission and substation facilities, approximately \$33,500,000 for extensions to its gas transmission lines, and approximately \$100,000,000 for extensions of its distribution facilities.

In reviewing the record in this proceeding it clearly appears that applicant will have need for the funds to be derived from the sale of its shares of preferred stock in meeting its capital requirements. There remains for consideration, however, the request of applicant for exemption from the Commission's competitive bidding rule.

The testimony shows applicant has concluded that it is to its advantage to dispose of the proposed new issue of shares of preferred stock by means of a negotiated underwriting. It directs attention to the extensive construction activities in which it has been and is engaged and reports that during the next three years it

will be called upon to spend approximately \$450,000,000 for capital additions which will bring its total expenditures for the nine-year period from 1946 to 1954, inclusive, up to more than \$1,260,000,000. Currently, its capital expenditures are running at the rate of \$12,000,000 a month and it is expected by applicant that they will continue at this or at a higher level for some time to come.

Thus being faced with the continuing problem of obtaining funds from the issue of securities, applicant feels that a negotiated sale, at this time at least, will afford greater certainty of success in the disposition of its shares of stock under more favorable terms than if the sale were to be undertaken through competitive bidding. Its treasurer testified that in his opinion the size of the proposed offering does not lend itself to competitive bidding and he points out that the proposed sale will require the participation of from 350 to 400 underwriters and dealers, both local and national, to dispose of the entire amount. He states, further, that a negotiated underwriting will permit the advance market preparation which an offering of this magnitude will require and should result in a larger distribution of the shares in California. In his Exhibit 7 he shows that in connection with the last three issues, all of which were made under negotiated arrangements, 1,302,291 shares of preferred stock were sold to 11,797 purchasers in California out of a total of 4,000,000 shares sold to 14,427 purchasers.

Upon the basis of the showing made in this proceeding, the Commission is warranted in granting applicant's requests. Accordingly, an order will be entered at this time exempting the proposed issue of shares of preferred stock from competitive bidding and granting preliminary authorization for the sale of said shares. At a later date applicant will file a supplemental application setting forth the dividend rate, redemption prices, and other specific terms and

conditions of said shares of stock, if any, and the price at which it proposes to sell the same. At that time the Commission will give further consideration to this application.

O R D E R

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the shares of stock herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; 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 hereby is exempted from the provisions of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, provided applicant obtains for said shares a price satisfactory to the Commission.

2. Pacific Gas and Electric Company, after the effective date hereof and on or before December 31, 1951, may issue and sell said shares of redeemable first preferred stock at a price to be fixed by the Commission in a supplemental order.

3. Pacific Gas and Electric Company shall use the proceeds to be received through the issue and sale of said 1,500,000 shares of redeemable first preferred stock to reimburse its treasury in part on account of capital expenditures made on or prior to June 30, 1951, 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 June 30, 1951.

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 a supplemental order shall have fixed the price at which said shares may be sold. In other respects, this order is effective upon and after 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 sold to each underwriter, and the consideration received, and three (3) copies of its prospectus.

6. On or before January 31, 1952, Pacific Gas and Electric Company shall file with the Commission a report showing in detail the expenses incurred by it in connection with the issue and sale of said 1,500,000 shares and the account, or accounts, to which said expenses were charged.

Dated at San Francisco, California, this 15th day of October, 1951.

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President  
Justin S. Calver  
\_\_\_\_\_  
J. Harold Hills  
\_\_\_\_\_  
Francis J. Lott  
\_\_\_\_\_  
Commissioners