

**ORIGINAL**

Decision No. 47053

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: authoriz-  
 ing applicant to issue and sell and  
 deliver 306,680 shares (par value  
 \$25 each) of its 5% Redeemable First  
 Preferred Stock, and to use the pro-  
 ceeds 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 CRC 281) issued  
 January 15, 1946 in Case No. 4761.

Application  
No. 33308

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

O P I N I O N

Pacific Gas and Electric Company has filed this application for an order exempting from competitive bidding a proposed issue of 306,680 shares of its 5% Redeemable First Preferred Stock of the par value of \$25 each, and of the aggregate par value of \$7,667,000, and authorizing it to sell said shares at a price of \$26 each for the purpose of paying an outstanding bank loan of \$7,667,000 and of reimbursing its treasury on account of capital expenditures made on or prior to January 31, 1952 or of paying the cost of capital additions made or to be made subsequent to that date.

The application shows that on March 1, 1952, applicant paid at maturity, an issue of \$7,667,000 of San Joaquin Light and Power Corporation Unifying and Refunding Thirty Year 6% Gold Bonds, the payment of which it had assumed, that under date of February 25, 1952.

in order to provide temporary financing to effect such payment, it obtained a bank loan of \$7,667,000 represented by a 3% ninety-day note, and that it now proposes to liquidate said loan with proceeds from the sale of the shares of stock covered by this application. Proceeds not needed for this purpose will be used to reimburse (1) applicant's treasury or to finance the cost of capital additions.

In making the present request to sell shares of stock, applicant reports that, under present income tax laws, 27% of the annual dividends to be paid on said shares will be deductible from income subject to the corporation income tax because the shares will have been sold to refund bonds which had been issued prior to 1942. The amount of such deduction with respect to such shares will be \$103,504.50 annually, which, at present tax rates, would result in savings in expenses of \$53,822.00.

Subject to receiving the approval of the Commission, applicant proposes to sell its shares at a private sale, at a price of \$26 each, to sixteen individual purchasers for investment. It asserts that a higher net price can be realized under such arrangements than if offered publicly, either by means of competitive bidding or a negotiated underwriting, for the reason that registration under the Security Act of 1933 can be obviated, with estimated savings of approximately \$20,000, and that underwriters' and dealers' commissions will be eliminated. Applicant is of the opinion that in this particular case there is a limiting feature in the available market. It reports that under existing tax laws, corporate purchasers of stock issued for new money purposes are allowed a credit with respect to dividends received, that the issue

---

(1) Applicant has presented data showing its unreimbursed capital expenditures at January 31, 1952 at \$299,102,726.30 and the unexpended balances of general manager's authorizations at \$231,216,719.34.

now proposed by applicant does not fall within this classification, not being for new money purposes, and that corporate purchasers, in acquiring utility stock, would be interested in purchases whereby they could effect tax savings of their own. Hence, applicant feels that the proposed issue more likely would be attractive only to non-corporate purchasers.

A review of the record indicates that applicant has need for the proceeds from the sale of its shares of preferred stock and that under the circumstances surrounding this proposed issue the Commission is warranted in granting its request for exemption from competitive bidding and for authority to sell the shares under the conditions and for the purposes set forth in the application.

#### ORDER

A public hearing having been held on this application, the Commission having considered the matter and being of the opinion that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required 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 by Pacific Gas and Electric Company of 306,680 shares of its 5% Redeemable First Preferred Stock of the aggregate par value of \$7,667,000, hereby is exempted from the provisions of the competitive bidding rule contained in Decision No. 38614, dated January 15, 1946, in Case No. 4761.

2. Pacific Gas and Electric Company may issue and sell, at private sale, at a price of \$26 per share, said 306,680 shares of its 5% Redeemable First Preferred Stock and use the proceeds for

the purposes set forth in this application.

3. Pacific Gas and Electric Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted is effective upon the date hereof. Under such authority no shares of stock shall be issued after July 31, 1952.

Dated at San Francisco, California, this 29<sup>th</sup> day of April, 1952.

A. J. Murray  
President

Harold Kula

Francis Patten

John L. McMillen

Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.