

ORIGINAL

Decision No. 49975

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 PACIFIC GAS AND ELECTRIC COMPANY, a)
 corporation, for an order of the)
 Public Utilities Commission of the)
 State of California authorizing ap-)
 plicant to issue \$65,000,000 aggre-)
 gate principal amount of its First)
 and Refunding Mortgage Bonds, Series)
 X, due June 1, 1984, and to use the)
 proceeds thereof for the purpose)
 stated in this petition.)
 -----)

Application
No. 35361

O P I N I O N

Pacific Gas and Electric Company has filed this application for authorization to issue and sell \$65,000,000 in principal amount of its First and Refunding Mortgage Bonds, Series X, due June 1, 1984. The bonds will be offered for sale at competitive bidding.

The purpose of the proposed financing is to refund presently outstanding 4% bonds of Series V which were issued and sold during May of 1953 under authorization granted by the Commission by Decision No. 48521, dated April 28, 1953, and Decision No. 48613, dated May 19, 1953. The Series V bonds originally were in the total amount of \$65,000,000 but since have been reduced to \$63,040,000. Applicant intends to call these remaining bonds for payment on July 1, 1954, at their call price of 105-1/2% of the principal amount, plus accrued interest.

Because of the decline in interest rates since the time the Series V bonds were sold, it appears that applicant should be able to realize savings in annual charges by refunding the outstanding 4% bonds, although the extent of such savings cannot be ascertained until

the interest rate and selling price of the new bonds are determined upon the opening of the bids and the awarding of the contract for the sale of the bonds. It might be noted that during February of this year applicant sold \$60,000,000 of 3-1/8% bonds at 100.54% of face value, plus accrued interest.

At the prevailing call price for the Series V bonds, applicant will be required to pay redemption premiums of \$3,467,200. In order to avoid charging this amount and related expenses to surplus at once, and also writing off other amounts now on its books pertaining to said Series V bonds, as required by our uniform systems of accounts, applicant seeks authorization to amortize the same by charges to income on or before June 1, 1954, the stated maturity date of said bonds. Applicant will realize a substantial non-recurring reduction in taxes on income during 1954, as a result of the redemption premiums and related items, which it proposes to apply to the reduction of the amount to be so amortized.

Upon a review of the verified application we are of the opinion that applicant's requests should be granted and that the money, property or labor to be procured or paid for by the issue and sale of the bonds herein authorized is reasonably required by applicant for the purpose specified herein, which purpose, except as otherwise authorized, is not, in whole or in part, reasonably chargeable to operating expenses or to income.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and

that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may publish an invitation for bids for the purchase of \$65,000,000 in principal amount of First and Refunding Mortgage Bonds, Series X, due June 1, 1984, not less than five days prior to the date set for opening of said bids.
2. Pacific Gas and Electric Company may issue and sell said \$65,000,000 of bonds at a price to be fixed by the Commission in a supplemental order in this proceeding.
3. Pacific Gas and Electric Company shall use the proceeds, exclusive of accrued interest, to be derived through the issue and sale of said bonds of Series X to pay in part the cost of redeeming on July 1, 1954, applicant's outstanding First and Refunding Mortgage Bonds, Series V, 4%, due June 1, 1984. The accrued interest may be used for general corporate purposes.
4. Pacific Gas and Electric Company may deviate from the uniform systems of accounts prescribed by the Commission so as to charge Account 140, Unamortized debt discount and expense, with the amount of the premium paid and the expenses incurred to redeem said bonds of Series V and to credit said Account 140 with the amount of the reduction in federal and state income taxes resulting from said refunding operation and with the amount representing the unamortized premium and expense applicable to said bonds of Series V standing on its books as of June 1, 1954, and thereafter may amortize the balance in said Account 140, referring to said bonds of Series V, on or before June 1, 1984.

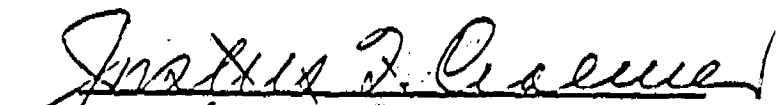



5. Pending the preparation and delivery of definitive bonds, applicant may execute, authenticate and deliver temporary bonds in lieu of such definitive bonds, such temporary bonds to be issued and sold under the same terms and conditions as applicant shall be authorized to issue and sell definitive bonds.

6. The authority herein granted to issue and sell bonds will become effective when the Commission by a supplemental order has fixed the price at which said bonds may be sold. In other respects, the authority herein granted will become effective upon the date hereof.

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

Dated at San Francisco, California, this 27th day of April, 1954.


President





Commissioners