

**ORIGINAL**

Decision No. 50601

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 not )  
 more than 175,000 shares (par value )  
 \$25 each) of its 4.50% Redeemable )  
 First Preferred Stock, to )  
 use the proceeds thereof for the )  
 purposes herein set forth; and find- )  
 ing and declaring the issue and sale )  
 of said shares of preferred stock )  
 exempt from the competitive bidding )  
 requirements of Decision No. 38614 )  
 (46 C.R.C. 281) issued January 15, )  
 1946 in Case No. 4761. )  
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Application  
No. 35784

Robert H. Gerdes, F. T. Searls and John C. Morrissey,  
for applicant; Dion R. Holm, City Attorney, and  
Paul L. Beck, Chief Valuation and Rate Engineer,  
City Attorney's Office, by Paul L. Beck, for City  
and County of San Francisco, interested party.

O P I N I O N

This application was filed on September 16, 1954, by Pacific Gas and Electric Company for authorization to issue and sell 175,000 shares of its 4.50% Redeemable First Preferred Stock of the par value of \$25 each and of the aggregate par value of \$4,375,000.

A public hearing was held before Examiner Coleman in San Francisco on October 1, 1954, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant asks that the issue and sale of said shares of preferred stock be exempted from the provisions of the Commission's competitive bidding rule in order that it may offer such shares to its employees, other than officers and directors, and to employees of

Vallejo Electric Light and Power Company, Valley Electrical Supply Company, Pacific Service Employees Association and Pacific Service Employees Credit Union, for the purpose of encouraging employee stock ownership. The proposed offering will be made pursuant to the terms of a stock purchase plan outlined in Exhibit 1 filed in this proceeding which provides that an employee may subscribe for shares of stock for the sum of \$25.18 each, of which \$24.18 is to be paid in monthly installments by payroll deductions over a period of two years and \$1.00 is to be paid by a credit for interest on installments, each such employee to have the right to subscribe for a minimum of five shares and up to a maximum of one share for each \$100 of his basic annual pay on October 1, 1954, but in no case more than 200 shares. The plan further provides that an employee may cancel his application, in which case there will be refunded to him all installments credited to his account, without interest.

On two earlier occasions applicant has sold shares of preferred stock to its employees under payroll deduction plans. In 1949, it offered 100,000 shares of 5% preferred to its employees, the offering being oversubscribed, and in 1952 it offered 163,986 shares of the 5% preferred and received subscriptions for approximately 152,000 shares. Applicant now asserts its employees have indicated an interest in the purchase of additional shares by means of installment payments and its directors accordingly have authorized the adoption of the plan now presented in this application. The offering price of \$25.18 a share is the same as that received by the company in June of this year in the sale of 1,000,000 shares of its 4.50% preferred stock by means of an underwriting arrangement.

Applicant seeks authorization to use the proceeds to be obtained from the issue and sale of the shares of preferred stock to

reimburse its treasury in part on account of capital expenditures made on or prior to June 30, 1954, or to pay in part the cost of additions, extensions and betterments or improvements to its plants, properties and facilities made, or to be made, subsequent to June 30, 1954. In Exhibit B attached to the application it reports its unreimbursed capital expenditures at June 30, 1954, in the amount of \$369,111,690.86 and in the application it sets forth the unexpended balance of its general manager's authorizations at June 30 for new construction at \$127,854,261.22, segregated to departments as follows:

Electric	\$108,473,356.07
Gas	14,476,728.76
Water	566,805.60
Steam Sales	18,613.91
Other Physical Property and Plant Held for Future Use	1,812.75
Common Utility	<u>4,316,944.13</u>
Total	<u>\$127,854,261.22</u>

From a review of the application it clearly appears that applicant will have need for additional funds from the sale of securities for the purpose of reimbursing its treasury and of proceeding with its construction program. Under the circumstances set forth in this proceeding we are of the opinion that the issue and sale of said shares of preferred stock to employees, as here proposed, is not adverse to the public interest and that such issue and sale accordingly should be exempted from the provisions of the Commission's competitive bidding rule.

#### 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 by 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. Pacific Gas and Electric Company may issue and sell to employees under its proposed stock purchase plan not exceeding 175,000 shares of its 4.50% Redeemable First Preferred Stock at \$25.18 a share and use the proceeds for the purposes set forth in this application.

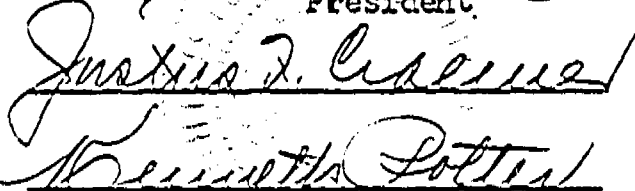
2. The issue and sale of said 175,000 shares of preferred stock hereby is exempted from the provisions of the Commission's competitive bidding rule.


3. Pacific Gas and Electric Company shall file a report with the Commission on or before December 31, 1954, showing the number of employees who subscribed for said shares of stock and the aggregate par value of shares for which subscriptions were received.

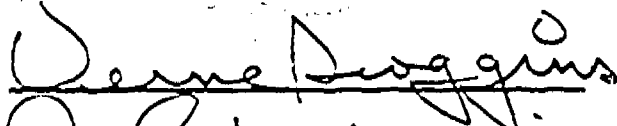
4. The authority herein granted will become effective upon the date hereof.

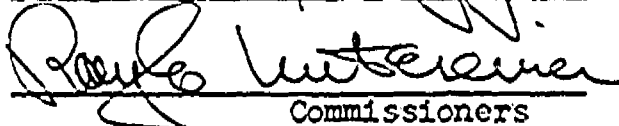
Dated at San Francisco, California, this 5<sup>th</sup> day of October, 1954.

  
President

  
Commissioner

  
Commissioner

  
Commissioner

  
Commissioners