

Decision No. 52737

ORIGINAL

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 authorizing it to issue and
sell \$25,000,000 aggregate principal
amount of its First and Refunding
Mortgage Bonds, Series Z, due
December 1, 1988, and to use the
proceeds thereof for the purposes
stated in this petition.

Application
No. 37777

O P I N I O N

In this application Pacific Gas and Electric Company seeks authorization to issue and sell \$25,000,000 in principal amount of its First and Refunding Mortgage Bonds, Series Z, due December 1, 1988.

Applicant intends to offer its bonds for sale at competitive bidding, the price and the interest rate to be specified in the bid to be accepted by it. It plans to file a registration statement with the Securities and Exchange Commission forthwith, and it reports that in the event such statement shall become effective not later than March 13, 1956, it will publish its invitation for the submission of bids on March 14 and will open bids on March 20. In order to enable it to carry out this program it requests the Commission to provide in its order that the time of publication of the invitation shall be not less than five days prior to the date set for opening of the bids.

The purpose of the proposed financing is to provide applicant with funds to reimburse its treasury in part on account

of capital expenditures made on or prior to October 31, 1955, to repay bank loans, and 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 October 31, 1955. Applicant reports its short-term borrowings amounted to \$18,000,000 at December 31, 1955, the amounts having been used for temporary financing of its construction program, and it shows in its application unreimbursed capital expenditures at \$452,231,241 and future expenditures, represented by the unexpended balances of general manager's authorizations for capital additions and improvements, at \$101,938,248.08, segregated as follows:

Electric	\$ 90,171,934.71
Gas	7,739,161.32
Water	730,759.30
Steam sales	22,751.76
Other physical property and plant held for future use	986.10
Common utility	<u>3,272,654.89</u>
Total	<u>\$101,938,248.08</u>

It appears that not all these amounts will be expended during 1956 and that in addition there will be other authorizations from time to time. Applicant estimates that its 1956 expenditures will be equal to or will exceed the sum of \$130,000,000 and that about one-third or more of this amount may be financed with funds in its treasury, or funds expected to be available from internal sources, leaving a balance of approximately \$86,000,000 to be obtained from outside sources.

It has been applicant's practice to finance its construction requirements in part through the issue of bonds and shares of preferred and common stock. Its capital ratios, as of December 31, 1955, and after giving effect to the proposed issue of bonds, are as follows:

	<u>December 31, 1955</u>	<u>Pro Forma</u>
Bonds	46.8%	47.6%
Preferred stock	20.1	19.8
Common stock equity	<u>33.1</u>	<u>32.6</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

The company's year-end balance sheet shows current and accrued assets of \$77,944,590.62 and current and accrued liabilities at \$125,102,929.21, including the \$18,000,000 of short-term notes.

A review of the application indicates that applicant will have need for funds from the sale of permanent securities to enable it to liquidate its current obligations, to replenish its treasury and to proceed with its construction program and that its capital ratios lend themselves to the issue and sale of the bonds requested in this application. Accordingly, we will enter an order granting applicant's request.

The approval herein indicated is for the issue and sale of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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, 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 bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, 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 invite the submission of written sealed bids for the purchase of \$25,000,000 in aggregate principal amount of its First and Refunding Mortgage Bonds, Series Z, due December 1, 1988, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. Pacific Gas and Electric Company may issue and sell said \$25,000,000 of said bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

3. Pending the preparation and delivery of definitive bonds, Pacific Gas and Electric Company may execute, authenticate and deliver temporary bonds in lieu of definitive bonds, such temporary bonds to be issued and sold, under the same terms and conditions under which definitive bonds herein are authorized to be issued and sold, and thereafter to be exchanged for said definitive bonds.

4. Pacific Gas and Electric Company shall use the proceeds to be received from the issue and sale of said bonds for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$25,000,000 of bonds, Pacific Gas and Electric Company shall file a written report with the Commission showing, as to each bid

received, the name of the bidder, the price, the interest rate and the cost of money to applicant based on such price and interest rate.

6. Within 30 days after the issue and sale of the bonds herein authorized, Pacific Gas and Electric Company shall file a report with the Commission showing the date on which such bonds were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus.

7. The authority herein granted will become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$9,250.

Dated at San Francisco, California, this 13th day of MARCH, 1956.

[Signature]
President

[Signature]

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Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
8073
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BY [Signature]