

Decision No. 56660

**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 \$75,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series CC, due December 1, 1978, and to use the proceeds thereof for the purposes stated in this petition.

Application No. 39654

O P I N I O N

Pacific Gas and Electric Company has filed this application for authorization to issue and sell \$75,000,000 in principal amount of its First and Refunding Mortgage Bonds, Series CC, due December 1, 1978.

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 January 14, 1958, it will publish its invitation for the submission of bids on January 15 and will open bids on January 21. In order to enable it to carry out this program it requests the Commission to provide in its order that the time for publication of the invitation shall be not less than five days prior to the date set for opening of the bids.

The bonds will constitute a new series. They will be subject to redemption to and including November 30, 1958, at an amount equivalent to the initial public offering price plus 5 per cent of the principal amount, or 105 per cent of the principal

amount, whichever is greater, and thereafter at premiums decreasing annually, plus accrued interest in each case, provided, however, that prior to December 1, 1962, none of the Series CC Bonds may be redeemed, either at the option of the company or for the sinking fund, directly or indirectly from the proceeds of or in anticipation of any refunding operation involving the incurring of debt which has an effective interest cost to the company, computed in accordance with generally accepted financial practice, of less than the effective interest cost to the company of the Series CC Bonds.

The purpose of the proposed financing is to provide applicant with funds to reimburse its treasury in part on account of capital expenditures heretofore made, to repay bank loans which may be outstanding, and to pay in part the cost of additions to, extensions of, and betterments or improvements to its plants, properties and facilities. Applicant reports unreimbursed capital expenditures at September 30, 1957, at \$575,290,177.98 and future expenditures, represented by the unexpended balances of general manager's authorizations for capital additions and improvements, at \$231,451,222.50, segregated as follows:

Electric	\$200,553,898.37
Gas	21,974,968.54
Water	933,128.03
Steam sales	6,529.48
Other physical property and plant held for future use	4,265.93
Common utility	<u>7,978,432.15</u>
Total	<u>\$231,451,222.50</u>

It appears that not all these amounts will be expended during 1958 and that in addition there will be other authorizations from time to time. Applicant estimates that its 1958 expenditures possibly will approximate the sum of \$180,000,000 and that about one-half 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 \$90,000,000 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 October 31, 1957, and as adjusted to give effect to the proposed issue of bonds, may be computed as follows:

	<u>October 31, 1957</u>	<u>Pro Forma</u>
Bonds	47%	49%
Preferred stock	18	18
Common stock equity	<u>35</u>	<u>33</u>
Total	<u>100%</u>	<u>100%</u>

A review of applicant's financial statements shows that as of October 31, 1957, it had outstanding short-term bank loans of \$26,000,000 and had incurred other current liabilities in substantial amounts, its balance sheet showing total current and accrued liabilities of \$160,484,743.01 as compared with current and accrued assets of \$113,087,098.67. It clearly appears that applicant will have need for external financing to reimburse its treasury and to pay current liabilities, thereby improving its cash position, and to enable it to proceed with its construction activities.

Accordingly, we will enter an order granting the application. The authorization here given is for the issue 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 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 \$75,000,000 of its First and Refunding Mortgage Bonds, Series CC, due December 1, 1978, as set forth in this application, 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 \$75,000,000 of bonds at competitive bidding on or before May 31, 1958, at the price and bearing interest at the rate specified in said bids which will result in the lowest annual cost of money to applicant.
3. Pacific Gas and Electric Company shall use the proceeds from the sale of its bonds, exclusive of accrued interest, 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.
4. Immediately upon awarding the contract for the sale of said \$75,000,000 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 upon such price and interest rate.

5. 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 said 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.

6. 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 \$21,750.

Dated at San Francisco, California, this 14<sup>th</sup> day of January, 1958.

[Signature]  
 President

[Signature]

[Signature]

[Signature]  
 Commissioners

