

58855

ORIGINAL

Decision No. _____

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 \$65,000,000 aggregate principal
amount of its First and Refunding
Mortgage Bonds, Series EE, due
June 1, 1991, and to use the proceeds
thereof for the purposes stated in
this petition.

Application No. 41326

O P I N I O N

Pacific Gas and Electric Company has filed this application for an order authorizing it to issue and sell \$65,000,000 of bonds at competitive bidding.

The bonds will constitute a new series. They will be designated as First and Refunding Mortgage Bonds, Series EE, due June 1, 1991, will bear interest at the rate to be specified in the successful bid and will be subject to redemption as follows:

The redemption price to and including May 31, 1960 (hereinafter referred to as the "initial redemption price"), will be the initial public offering price plus 5% of the principal amount; the redemption price for the twelve months' period beginning June 1, 1960 and during the twelve months' period beginning on each June 1 thereafter to and including the period ending May 31, 1990, will be determined by reducing the initial redemption price by an amount determined by multiplying (a) 1/30th of the amount by which such initial redemption price exceeds 100% by (b) the number of such full twelve months' periods which have elapsed since May 31, 1959; (all of such prices will be specified to the nearest 0.01% or, if there is no nearest 0.01%, then to the next higher 0.01%; plus, in each case, an amount equal to all accrued and unpaid interest thereon to and including the date of redemption.

The purpose of the proposed financing is to provide applicant with funds to repay any bank loans which may be outstanding, to reimburse its treasury, in part, on account of capital expenditures made on or prior to April 30, 1959, and/or to pay, in part, the cost of additions to, extensions of, and betterments and improvements to its plants, properties and facilities made or to be made subsequent to April 30, 1959. Applicant reports that it had \$22,000,000 of notes outstanding on May 31, 1959, that its unreimbursed capital expenditures on April 30, 1959, amounted to \$653,257,847.35, and that the unexpended balance of its general manager's authorizations for capital additions and improvements of its properties in progress of construction amounted, on April 30, 1959, to \$147,081,355.78, segregated to departments as follows:

Electric	\$127,371,643.12
Gas	13,160,326.27
Water	919,777.33
Steam sales	8,357.00
Other physical property and plant held for future use	2,000.00
Common utility	<u>5,619,252.06</u>
Total	<u>\$147,081,355.78</u>

It appears that the company will be called upon to make expenditures in addition to those covered by the general manager's authorizations now in progress. The company estimates that the cost of capital additions for the year 1959 will approximate the sum of \$156,000,000 and that about one-half of these expenditures may be financed with funds in its treasury and funds expected to be available from internal sources, leaving approximately \$78,000,000 to be obtained from securities.

The financial statement filed in this proceeding as Exhibit A shows, among other things, applicant's current and accrued assets as of May 31, 1959 at \$144,869,023.09 and its current and accrued liabilities at \$163,686,539.17, including the outstanding \$22,000,000 of notes. A review of the financial statement indicates that applicant's capital ratios as of the end of May and as adjusted to give effect to the proposed financing, but excluding from the calculation the restricted surplus and short-term notes, are as follows:

	<u>May 31, 1959</u>	<u>Pro Forma</u>
Bonds	49%	51%
Preferred stock	17	16
Common stock and surplus	<u>34</u>	<u>33</u>
Total	<u>100%</u>	<u>100%</u>

Upon considering this application, it appears that the company will have need for external financing in order to obtain funds to liquidate short-term notes, to reimburse its treasury and to enable it to proceed with its construction activities. Accordingly, we will enter our order granting the application.

The authorization herein 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 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, on and after the effective date hereof and on or before December 31, 1959, may issue and sell \$65,000,000 of First and Refunding Mortgage Bonds, Series EE, due June 1, 1991, at competitive bidding to the purchaser or purchasers offering to Pacific Gas and Electric Company the most favorable terms as disclosed by the bids received.

2. The invitation for the submission of written sealed bids for the purchase of said bonds shall be given by publication not less than five days prior to the date set for the opening of the bids.

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 \$65,000,000 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 \$19,250.

Dated at San Francisco, California, this 11th day of August, 1959.

Ernest A. Page
President
W. L. Ditchell
E. J. Fox
Theodore J. Jones

Commissioners

