

ORIGINAL

Decision No. 61678

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
PACIFIC GAS AND ELECTRIC COMPANY
for authorization to enter into an
agreement with PACIFIC GAS
TRANSMISSION COMPANY, in connection
with the issue of the latter's bonds.

Application No. 43194

O P I N I O N

This application was filed on March 2, 1961, for an order of the Commission authorizing Pacific Gas and Electric Company to assume certain obligation or liability under a proposed agreement with Pacific Gas Transmission Company and Bank of America National Trust and Savings Association and William W. Bertram.

Pacific Gas Transmission Company is a California corporation which was organized primarily for the purpose of constructing and operating the Idaho, Washington and Oregon sections of the Alberta-California Project, a natural gas pipeline system being constructed to bring natural gas from Canada to California. The transmission company estimates its capital requirements at \$124,069,000 and it reports that it has financed, or expects to finance, its requirements as follows:

Completed issues -	
Common stock	\$ 19,890,000
5-1/2% convertible debentures	13,260,000
Proposed issues -	
5-1/4% first mortgage pipeline bonds	90,000,000
Short-term bank borrowings	<u>919,000</u>
Total	<u>\$124,069,000</u>

The company is now undertaking to sell the \$90,000,000 of bonds to a group of institutional investors. Assertedly, in order to sell the bonds, it is necessary for the company to provide assurance that it will have funds to complete the pipeline system and to pay expenses until the system actually is completed and is placed in operation. To provide this assurance, it is proposed for the transmission company and Pacific Gas and Electric Company to enter into an agreement with the trustees for the bondholders under the indenture of mortgage and deed of trust whereby, among other things, Pacific Gas and Electric Company will agree to loan or advance to Pacific Gas Transmission Company such funds as may be required by Pacific Gas Transmission Company ". . . to complete its Pipe Line System, pay its operating and other expenses, including without limitation all income and other taxes, and meet when due payments of principal of, and interest and premium, if any, on the Bonds and other Indebtedness as defined in the Indenture." A copy of the proposed agreement has been filed with the application as Revised Exhibit B.

Under the terms of the agreement the obligation of Pacific Gas and Electric Company to make loans or advances will terminate upon the completion and operation of the pipeline and the taking effect of the tariff of Pacific Gas Transmission Company and the payment for gas for the first billing month.

Pacific Gas and Electric Company does not anticipate that it will be necessary for it to advance any funds pursuant to the proposed agreement. The contracts have been let for all the major items of construction work and for the purchase of

substantially all the pipeline equipment which will be required by Pacific Gas Transmission Company and, on the basis of these commitments, it is expected that the transmission company will be able to finance the completion of the line on reasonable terms and place it in operation without obtaining loans or advances from Pacific Gas and Electric Company, except for short-term interim loans pending receipt of the proceeds from the sale of the company's bonds.

The Commission has heretofore found and concluded, in Decision No. 60564, dated August 16, 1960, that the Alberta-California Project has the prospect of being the best additional source of supply available to Pacific Gas and Electric Company for assuring the continuance of adequate and efficient gas service at reasonable rates. The proposed financing by Pacific Gas Transmission Company and the assumption of liability by Pacific Gas and Electric Company are required steps which must be taken to complete the project and to place it in operation. Upon the basis of the information before us, it appears that the agreement will not threaten to impair the ability of Pacific Gas and Electric Company to perform its public service obligations and will not constitute a drain on its resources. We therefore find and conclude that the execution of the proposed agreement by applicant will not be adverse to the public interest and we will enter our order granting this application.

The authority herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in operating expenses or rate base for the determination of just and reasonable rates.

ORDER

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

IT IS HEREBY ORDERED -

1. That Pacific Gas and Electric Company may execute and enter into and carry out the provisions of an agreement substantially in the same form as the agreement filed in this proceeding as Revised Exhibit B.

2. That Pacific Gas and Electric Company shall file with the Commission, within 30 days after the execution of the agreement, three copies of said agreement as actually executed.

3. That the authorization herein granted shall become effective on the date hereof.

Dated at San Francisco, California,
this 17th day of March, 1961.

[Signature]
President
[Signature]
[Signature]

Commissioners