

**ORIGINAL**

Decision No. 61905

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 ALBERTA NATURAL GAS  
COMPANY, in connection with the  
issue of the latter's bonds.

Application No. 43337

O P I N I O N

This application was filed on April 21, 1961, for an order of the Commission authorizing Pacific Gas and Electric Company to enter into and to carry out the provisions of a proposed agreement with Alberta Natural Gas Company and Montreal Trust Company.

Alberta Natural Gas Company is a Canadian corporation which was organized primarily for the purpose of constructing and operating the British Columbia Section of the Alberta-California Project, a natural gas pipeline system being constructed to bring natural gas from Canada to California. The properties of Alberta Natural Gas Company will include a pipeline extending from a point near the Alberta-British Columbia boundary to a point on the Canadian-United States boundary where it will connect with the gas line of Pacific

Gas Transmission Company. The capital requirements of Alberta Natural Gas Company are estimated at \$34,024,000 which, according to the application, has been provided or will be provided from the following sources:

Common shares	\$ 8,520,160
First mortgage pipeline bonds, Series A	25,000,000
Short-term bank loans	<u>503,840</u>
Total	<u>\$34,024,000</u>

Alberta Natural Gas Company is now undertaking to sell the \$25,000,000 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 adequate funds to complete the pipeline system, to pay its expenses, and to meet its debt service requirements until the pipeline actually is completed and is placed in operation with payments being made under the cost of service contracts for the transportation and sale of gas. To provide this assurance, it is proposed for Pacific Gas and Electric Company and Alberta Natural Gas Company to enter into an agreement with the trustee for the bondholders under the Deed of Mortgage and Trust securing the payment of said bonds whereby, among other things, Pacific Gas and Electric Company will agree to loan or advance to Alberta Natural Gas Company 74% of such funds as may be required by Alberta Natural Gas Company " . . . to complete the 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 Series A Bonds and other indebtedness (as defined in the Mortgage)." A copy of the proposed agreement, sometimes called the "Completion Agreement" has been filed with the application as Exhibit B. It is understood that El Paso Natural Gas Company will assume the obligation with respect to the remaining 26% of the required funds, the total being proportioned in the same manner as the amount of capacity of the pipeline is available to applicant and to El Paso Natural Gas Company's supplier.

Under the terms of the agreement the obligation of Pacific Gas and Electric Company to make loans or advances will terminate upon the granting to Alberta Natural Gas Company by the National Energy Board of leave to open the pipeline system, the payment to Alberta Natural Gas Company of the cost of service charge for the first billing month under the gas transportation contract, and the payment by Pacific Gas Transmission Company of the cost of service charge under its gas sale contract for the first billing month.

Neither Alberta Natural Gas Company nor Pacific Gas and Electric Company anticipates that it will be necessary for Pacific Gas and Electric Company 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 all the pipe and major equipment required for the

pipeline of Alberta Natural Gas Company and, on the basis of these commitments, it is expected that Alberta Natural Gas Company will be able to finance completion of the line on reasonable terms and to place it in operation without obtaining loans or advances from Pacific Gas and Electric Company.

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 Alberta Natural Gas 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.

O R D E R

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

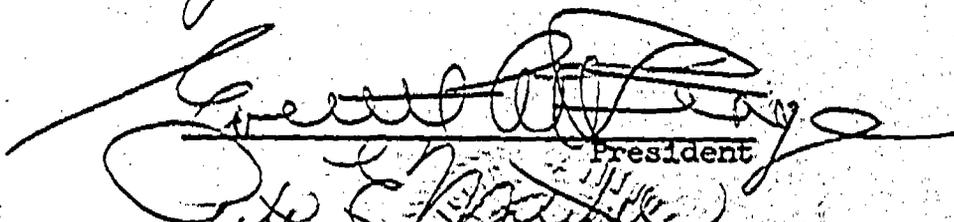
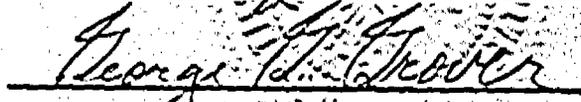
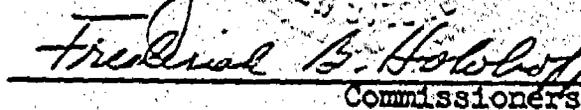
IT IS HEREBY ORDERED -

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

2. That Pacific Gas and Electric Company shall file with the Commission, within thirty days after the execution of this 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 1st day of May, 1961.

  
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President  
  
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E. Lynn Fox  
  
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George H. Brown  
  
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Fredrick B. Holbozz  
Commissioners