

ORIGINAL

Decision No. 63317

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 HH, due
June 1, 1994, and to use the
proceeds thereof for the purposes
stated in this petition.

Application No. 44165
Filed February 7, 1962

O P I N I O N

In this application Pacific Gas and Electric Company seeks authorization to issue and sell \$65,000,000 of bonds at competitive bidding.

The purpose of the proposed financing is to provide applicant with funds to reimburse its treasury and to pay any bank loans which may be outstanding, and/or to pay, in part, the cost of additions to, extensions of, and betterments or improvements to its plants, properties and facilities.

Applicant asserts that its unreimbursed capital expenditures amounted to \$856,860,438 as of November 30, 1961, and that the unexpended balance of its general manager's authorizations for capital additions and improvements of its properties now in progress of construction amounted to \$333,125,470, some of which will not be completed until after 1962. Applicant estimates that its capital expenditures during 1962 will

approximate \$221,000,000, about one-half of which will be available from internal sources, and it reports outstanding bank loans, at the beginning of 1962, in the amount of \$9,000,000.

It has been applicant's policy to finance its capital expenditures, which are not provided by internal sources, through the issue of bonds and shares of preferred and common stock. Its capital ratios, as of December 31, 1961, and as adjusted to give effect to the proposed bond issue, are as follows:

	<u>Dec. 31, 1961</u>	<u>Pro Forma</u>
Bonds	50%	52%
Preferred stock	15	14
Common stock and surplus	<u>35</u>	<u>34</u>
Total	<u>100%</u>	<u>100%</u>

The proposed issue will constitute a new series of bonds. Such bonds will be designated as First and Refunding Mortgage Bonds, Series HH, due June 1, 1994, will bear interest at the rate to be specified in the successful bid, and will be subject to redemption, to and including November 30, 1962, at an initial redemption price equivalent to the initial public offering price plus 5% of the principal amount, or 105% of the principal amount, whichever is greater, plus accrued interest, and thereafter at annually reducing premiums, provided, however, that prior to December 1, 1966, none of said bonds may be redeemed, 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 said Series HH bonds.

We have considered this application and based upon the information before us, we find and conclude (1) that applicant will have need for additional funds to liquidate short-term notes, to reimburse its treasury, and to enable it to proceed with its construction activities; (2) that applicant's capital structure and earnings warrant an order authorizing the issue of the bonds; (3) that applicant will be required to pay a lower interest rate on such bonds than it would if the restricted redemption feature were to be eliminated and that the ensuing lower financial requirements should inure to the benefit of the consumers; and (4) that the money, property or labor to be procured or paid for by the issue 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.

On the basis of these findings, we will enter our order granting the application. The authorization thus granted is for the issue and sale of bonds 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, therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company, on or after the effective date hereof and on or before December 31, 1962, may issue and sell not to exceed \$65,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series HH, due June 1, 1994, at competitive bidding to the purchaser, or purchasers, offering to it 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.

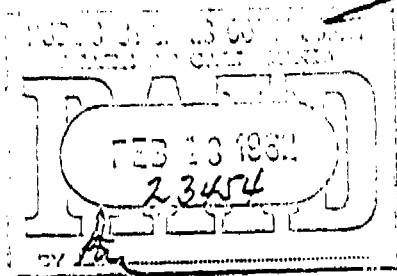
3. Pacific Gas and Electric Company shall use the proceeds from the sale of said bonds, exclusive of accrued interest, for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

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. This order and decision shall 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 26th day of FEBRUARY, 1962.



[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.