

Decision No. 77805**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 \$100,000,000 aggregate principal )  
 amount of its First and Refunding )  
 Mortgage Bonds, Series VV, due )  
 December 1, 2002, and 706,960 shares )  
 of \_\_\_% Redeemable First Preferred )  
 Stock, \$25 par value, and to use the )  
 proceeds thereof for the purposes )  
 stated in this petition. )

Application No. 52206  
 Filed September 22, 1970

O P I N I O N

Pacific Gas and Electric Company requests an order of the Commission authorizing it to issue and sell \$100,000,000 aggregate principal amount of bonds and 706,960 shares of \$25 par value preferred stock, the aggregate par value being \$17,674,000.

The utility intends to use the net bond proceeds (exclusive of any accrued interest) for repaying short-term loans, to reimburse its treasury, in part, on account of capital expenditures made on or prior to June 30, 1970, and/or to pay, in part, the cost of additions to, extensions of, and betterments or improvements to its plants, properties and facilities made or to be made subsequent to June 30, 1970.

Applicant intends to use the net proceeds (exclusive of any accrued dividends) to be derived through the issuance and sale of the preferred stock to retire, refund and replace the outstanding

\$17,674,000 aggregate principal amount of the company's First and Refunding Mortgage Bonds, Series J, 3%, due December 1, 1970.

The company reports that as of June 30, 1970, its unreimbursed capital expenditures amounted to \$1,740,813,665. Applicant estimates that for the year 1970 its capital expenditures will approximate \$400,000,000. Capitalization percentages as of August 31, 1970, adjusted to give effect to the proposed security issues, are computed to be as follows:

Long-term debt	54%
Preferred stock	9
Common stock equity	<u>37</u>
Total	<u>100%</u>

The new bonds will be designated as First and Refunding Mortgage Bonds, Series VV, due December 1, 2002, and are to be sold at competitive bidding, the successful bid to determine the interest rate. They will be subject to a restrictive redemption provision until December 1, 1975.

The new preferred stock will consist of 706,960 shares of Redeemable First Preferred Stock, \$25 par value. The offering is to be underwritten by a nationwide group of underwriters represented by Blyth & Co., Inc. and Dean Witter & Co. Incorporated. Late in October, 1970, applicant expects to negotiate finally with the underwriters the price to be paid to it for said 706,960 shares, together with the related underwriting commission, dividend rate and redemption provisions. The utility anticipates restrictions upon redemption during the first five years.

After consideration the Commission finds that:

1. The proposed security issues are for proper purposes.
2. Applicant has need for funds from external sources for the purposes set forth in the application.
3. Applicant will be required to pay interest and dividends at lower effective rates than it would in the absence of the proposed restrictive redemption provisions.
4. The money, property or labor to be procured or paid for by the issue of the securities herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted, provided that accrued dividends, if any, will not be used for purposes, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated dividend rate, price, or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it will take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company may invite the submission of written sealed bids for the purchase of not exceeding \$100,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series VV, due December 1, 2002.

2. Pacific Gas and Electric Company may issue and sell not exceeding \$100,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series VV, due December 1, 2002, at competitive bidding to the purchaser or purchasers offering to it the most favorable terms as disclosed by the bids received.

3. Pacific Gas and Electric Company may issue and sell not exceeding 706,960 shares of its Redeemable First Preferred Stock, \$25 par value, and of the aggregate par value of not exceeding \$17,674,000, the terms to be fixed in the manner described in the application.

4. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issuance and sale of said bonds and preferred stock for the purposes set forth in the application, provided that accrued dividends, if any, shall not be used for purposes, in whole or in part, reasonably chargeable to operating expenses or to income.

5. Immediately upon awarding the contract for the sale of said bonds, Pacific Gas and Electric Company shall file with the Commission a written report showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based on said price and interest rate.

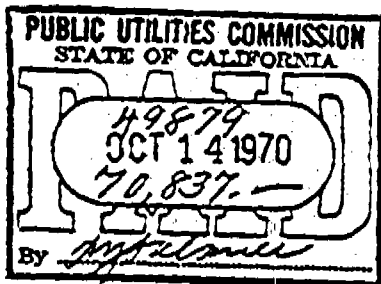
6. On the date Pacific Gas and Electric Company determines the dividend rate, underwriting commission, and price to be paid to it for the preferred stock herein authorized, the company shall notify the Commission of each in writing.

7. Pacific Gas and Electric Company shall file with the Commission three copies of each prospectus pertaining to the preferred stock and bonds herein authorized within thirty days after their respective issuance and sale.

8. Within two months after selling the bonds and preferred stock herein authorized, Pacific Gas and Electric Company shall file with the Commission a statement or statements, in lieu of a report or reports under General Order No. 24-B, disclosing the purposes for which it used the security issue proceeds.

9. This order shall become effective when Pacific Gas and Electric Company has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fees are \$56,000 and \$14,837, respectively, amounting to a total of \$70,837.

Dated at San Francisco, California,  
this 14<sup>th</sup> day of OCTOBER, 1970.



[Signature]  
Chairman

[Signature]

William [Signature]

[Signature]

Vernon L. Sturgeon  
Commissioners