

Decision No. _____

78478

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 3,000,000)
shares of _____% Redeemable First)
Preferred Stock, \$25 par value,)
and to use the proceeds thereof)
for the purposes stated in this)
petition.)

Application No. 52484
Filed March 9, 1971

O P I N I O N

Pacific Gas and Electric Company requests an order of the Commission authorizing it to issue and sell 3,000,000 shares of \$25 par value preferred stock, the aggregate par value being \$75,000,000.

The utility intends to use the proceeds (exclusive of any accrued dividends) to be derived through the issuance and sale of the preferred stock to reimburse its treasury for capital expenditures. The company reports that as of December 31, 1970, its unreimbursed capital expenditures amounted to \$1,839,801,193, and that its estimated capital expenditures for 1971 will approximate \$485,000,000. Applicant's reported capitalization percentages as of December 31, 1970, adjusted to give effect to \$150,000,000 principal amount of bonds issued and sold on March 4, 1971, and to the proposed \$75,000,000 par value preferred stock issue, are as follows:

Long-term debt	54%
Preferred stock	11
Common stock equity	<u>35</u>
Total	<u>100%</u>

The new preferred stock will consist of 3,000,000 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. On or about April 6, 1971, applicant expects to negotiate finally with the underwriters the price to be paid to it for said 3,000,000 shares, together with the related underwriting commission, dividend rate and redemption provisions. The utility anticipates restrictions upon redemption during the first seven years, which is the length of time authorized during 1970 for similar restrictions pertaining to \$100,000,000 par value of preferred stock of Southern California Edison Company.

After consideration the Commission finds that:

1. The proposed preferred stock issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. Applicant would be required to pay dividends at a lower effective rate than it would in the absence of the proposed restricted redemption provisions.
4. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, which purposes 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 not 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:

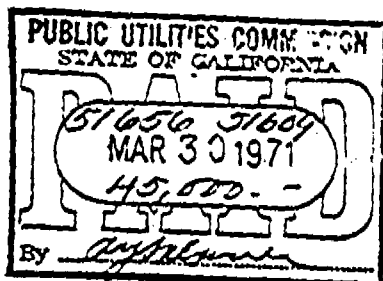
1. Pacific Gas and Electric Company may issue and sell not exceeding 3,000,000 shares of its Redeemable First Preferred Stock, \$25 par value, and of the aggregate par value of not exceeding \$75,000,000, the terms to be fixed in the manner described in the application.
2. Pacific Gas and Electric Company shall apply the proceeds from the sale of said stock to 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.
3. 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.

4. As soon as available, Pacific Gas and Electric company shall file with the Commission three copies of its prospectus pertaining to said stock.

5. Within one month after issuing and selling the stock herein authorized, Pacific Gas and Electric Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes to which the stock proceeds were applied.

6. This order shall become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$45,000.

Dated at San Francisco, California, this 30th day of MARCH, 1971.



[Signature]
Chairman

[Signature]
Vernon L. Sturgeon

[Signature]
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.