

ORIGINAL

Decision No. 78675

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 881,074 )  
shares of \_\_\_% Redeemable First )  
Preferred Stock, \$25 par value, )  
and to use the proceeds thereof )  
for the purposes stated in this )  
application. )

Application No. 52572  
Filed April 21, 1971

O P I N I O N

Pacific Gas and Electric Company seeks an order of the Commission authorizing it to issue and sell 881,074 shares of \$25 par value preferred stock, the aggregate par value being \$22,026,850.

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 retire, refund and replace its First and Refunding Mortgage Bonds, Series K, 3%, due June 1, 1971.

The company's capitalization percentages as of February 28, 1971, adjusted to give effect to \$150,000,000 principal amount of bonds issued and sold on March 4, 1971, \$75,000,000 par value of preferred stock issued and sold on April 20, 1971, and to the proposed preferred stock issue (assuming a price of \$27 per share) are reported as follows:

Long-term debt	53%
Preferred stock	11
Common stock equity	<u>36</u>
Total	<u>100%</u>

The new preferred stock issue would consist of 881,074 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 May 19, 1971, applicant expects to finalize negotiations with the underwriters pertaining to the price to be paid to it for said 881,074 shares, together with 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 preferred stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose 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 purpose specified herein, which purpose is 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 issue and sell not exceeding 881,074 shares of its Redeemable Preferred Stock, \$25 par value, and of the aggregate par value of not exceeding \$22,026,850, 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 purpose 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. Promptly after 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 purpose to which the stock proceeds were applied.

6. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 11<sup>th</sup> day of MAY, 1971.

Chairman

Commissioners