

ORIGINAL

Decision No. 80727

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 2,000,000
shares of _____% Redeemable First
Preferred Stock, \$25 par value,
and to use the proceeds thereof
for the purposes stated in this
application.

Application No. 53661
(Filed October 20, 1972)

O P I N I O N

Pacific Gas and Electric Company seeks authority to issue and sell 2,000,000 shares of its \$25 par value preferred stock, the aggregate par value being \$50,000,000.

The utility intends to use the proceeds (exclusive of any accrued dividends) to be derived through the issue and sale of the preferred stock to repay short-term notes and to reimburse its treasury for capital expenditures. The accrued dividends, if any, would be used for general corporate purposes other than those which might reasonably be chargeable to operating expenses or to income.

The company's capitalization percentages as of September 30, 1972, and as adjusted to give effect to the proposed preferred stock issue (assuming a price of \$28 per share) are reported as follows:

	<u>September 30, 1972</u>	<u>Pro Forma</u>
Long-term debt	53.3%	52.8%
Preferred stock	11.5	12.4
Common stock equity	<u>35.2</u>	<u>34.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The new stock issue would consist of 2,000,000 shares of Redeemable First Preferred Stock, \$25 par value. The offering would be underwritten by a nationwide group of underwriters represented by Dean Witter & Co. Incorporated and Blyth Eastman Dillon & Co. Incorporated. On or about December 4, 1972, applicant expects to finalize negotiations with the underwriters pertaining to the price to be paid to it for said 2,000,000 shares, together with related underwriting commission, dividend rate and redemption provisions. The utility anticipates restrictions upon redemption prior to February 1, 1978.

After consideration the Commission finds that:

1. The proposed stock issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed restricted redemption provision is reasonable.
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. 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 would take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

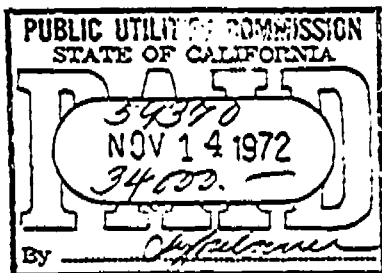
1. Pacific Gas and Electric Company may issue and sell not exceeding 2,000,000 shares of its Redeemable First Preferred Stock, \$25 par value, and of the aggregate par value of not exceeding \$50,000,000, the terms to be fixed in the manner described in the application.
2. Pacific Gas and Electric Company shall apply the proceeds from the sale of said stock to the purposes set forth in the application.
3. Promptly after Pacific Gas and Electric Company ascertains 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 \$34,000.

Dated at San Francisco, California, this 14th day of NOVEMBER, 1972.



William L. Stearns
President
William L. Stearns
William L. Stearns
William L. Stearns
William L. Stearns
Commissioners