

Decision No. 83474**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)	Application No. 55137
it to issue, sell and deliver)	(Filed August 27, 1974)
5,923,503 shares of common stock,)	
\$10 par value.)	

O P I N I O N

Pacific Gas and Electric Company seeks authority to issue, sell and deliver not exceeding 5,923,503 shares of its \$10 par value common stock.

The company proposes to offer said shares to holders of its outstanding common stock in the ratio of one share for each 11 shares held. The subscription price would be at least 86% of the last reported sale price (regular way) of the common stock on the New York Stock Exchange prior to the time the subscription price is set. Transferable warrants would be issued to holders of its common stock to evidence their rights to subscribe for the stock being offered. Pursuant to the terms of an underwriting agreement, a nationwide group of underwriters would purchase all unsubscribed shares at not less than the subscription price. The compensation would not exceed \$4,500,000 for underwriting the offering and purchasing shares acquired upon the exercise of subscription warrants.

Applicant proposes to use the stock issue net proceeds to reimburse its treasury for capital expenditures, and thereafter to repay a portion of outstanding short-term notes issued for temporary financing of additions to its utility plant. The company

reports that at June 30, 1974, its unreimbursed capital expenditures were \$2,583,401,841, and estimates that the cost of capital additions and improvements to its plants, properties and facilities for the year 1974 will approximate \$640,000,000.

The utility's reported capitalization percentages as of June 30, 1974, adjusted to give effect to a proposed \$150,000,000 bond issue in October, 1974, and to the proposed stock issue assuming a subscription price of \$20 per share, are as follows:

Long-term debt	50.9%
Preferred stock	12.6
Common stock equity	<u>36.5</u>
Total	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in the application.
3. Applicant has been successful in the past in disposing of its common stock offerings under arrangements similar to those which it is now proposing.
4. The money, property or labor to be procured or paid for by 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. 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.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company may issue, sell and deliver not exceeding 5,923,503 shares of its \$10 par value common stock upon subscription pursuant to rights evidenced by transferable warrants to be issued to the holders of record of its common stock at the close of business on October 1, 1974, the offering to be in the ratio of one share for each 11 shares of common stock then held of record. The subscription price shall be at least 86% of the last reported sale price (regular way) of the common stock on the New York Stock Exchange prior to the time the subscription price is set.

2. Pacific Gas and Electric Company may issue and sell the unsubscribed portion of said 5,923,503 shares pursuant to an Underwriting Agreement in substantially the same form as that attached to the application as Exhibit C with blanks filled in so as to result in compensation to underwriters in an amount not exceeding \$4,500,000 and a price not less than the subscription price.

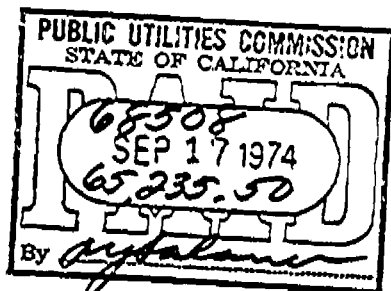
3. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issue and sale of said common stock to reimburse its treasury for capital expenditures, and thereafter to repay a portion of outstanding short-term notes issued for temporary financing of additions to its utility plant.

4. On or before February 28, 1975, Pacific Gas and Electric Company shall file with the Commission a statement showing the number of holders of common stock of record on October 1, 1974; the number of subscriptions by shareholders, by others who purchased rights to subscribe, and by underwriters upon exercise of rights; the number of shares subscribed by such shareholders, by others and by underwriters during the subscription period, and the gross proceeds received; the number of unsubscribed shares purchased by underwriters; and the expenses (including underwriters' compensation) incurred by it in connection with the issue and sale of the not exceeding 5,923,503 shares of stock. Such statement shall be filed in lieu of a report, or reports, under General Order No. 24-B.

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

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 \$65,235.50.

Dated at Los Angeles, California, this 17th day of SEPTEMBER, 1974.



Vernon L. Stenger
President
William J. Quigley
John J. Quinn
Samuel J. ...
Commissioners