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Decision No. 85752

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 enter into separate agreements with THE ROYAL BANK OF CANADA, CANADIAN IMPERIAL BANK OF COMMERCE, BANK OF MONTREAL, and THE BANK OF NOVA SCOTIA so as to assume certain liabilities as guarantor on certain promissory notes of ALBERTA AND SOUTHERN GAS CO. LTD.	Application No. 56014 (Filed October 20, 1975)

Philip A. Crane and Bruce R. Worthington, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Sylvia M. Siegel, for Toward Utility Rate Normalization (TURN), interested party.
John J. Gibbons, for the Commission staff.

O P I N I O N

Statement of Facts

Pacific Gas and Electric Company (PG&E) seeks authority under provisions of Division 1, Part 1, Chapter 4, Article 5 of the State of California Public Utilities Code, to enter into separate identical agreements with The Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, and The Bank of Nova Scotia (The Banks), as guarantor of certain promissory notes of Alberta and Southern Gas Co., Ltd (A&S), an Alberta, Canada wholly owned subsidiary of PG&E. PG&E also seeks Commission approval to structure and construe these agreements in accordance with the law of the Province of Alberta, Canada. PG&E further seeks a Commission finding and order to the effect that the usury limitations on interest contained in Article XX, Section 22 of the

California Constitution and the Usury Law Initiative Act do not apply to interest rate provisions applicable under the terms of these guarantee agreements, and that persons collecting interest pursuant to the guarantee agreements are not subject to the sanctions of such California usury laws, and that PG&E, its assignees or successors in interest, or persons purporting to act on behalf of PG&E, cannot assert any claims or defenses based upon California usury laws in connection with these guarantee agreements.

A duly noticed public hearing was held March 15 and 30, 1975 before Examiner John B. Weiss in San Francisco after which the case was submitted.

PG&E obtains approximately 40 percent of its total supply of natural gas from Canada through its subsidiary A&S, which has as its primary function the obtaining of natural gas from producers in the Province of Alberta. Such gas is transported to California through a pipeline network of three gas transmission companies (two of which are controlled by PG&E).[1/] A&S has numerous long-term contracts with gas producers in the Alberta fields. Generally, these contracts fall into three categories: advance

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1/ Natural gas is purchased from various producers in the Alberta fields, and transported through facilities of Alberta Gas Trunk Line Co., Ltd. (independently owned) and Alberta Natural Gas Co., Ltd. (45 percent owned by PG&E) to the U.S.-Canadian border near Kingsgate, British Columbia, where it is sold to Pacific Gas Transmission Co. (51 percent owned by PG&E) which in turn transports the gas to the California border where it is sold and delivered to PG&E.

payment, exploration loans, and risk exploration programs.[2/] Authorization for the various types of financial arrangements

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2/ A. The Commission staff in June 1974 made a detailed study, following a three-week field investigation, of the history, organization, and operations of PG&E's Canadian affiliates and subsidiaries. This study, entitled Report on Operations of Pacific Gas & Electric Company's Canadian Affiliates Alberta and Southern Gas Co., Ltd, and Alberta Natural Gas Co., Ltd., appears as Exhibit No. 56 in Decision No. 84902 dated September 16, 1975 in Application No. 54279. Pages I-19 to I-31 are of interest here and are in part summarized below:

> Alberta and Southern participates in three types of financial arrangements with producers for acquisition of natural gas:
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> 1. Advance Payments: Sums paid to producers with proven reserves to obtain dedication of these reserves to A&S.
> 2. Exploration Loans: Noninterest bearing advances to producers to finance new gas exploration programs. In return A&S gets the right to purchase a designated portion of gas discoveries. These loan agreements provide that the funds advances are considered as prepayment on the purchase of gas if the project is successful. If the exploration project is unsuccessful the loans are repayable in annual installments on predetermined schedules.
> 3. Risk Exploration Investments: Direct investment programs by which A&S gets a share of the profits or a designated additional amount over and above its investment if the project is successful.

B. At the March 15, 1976 hearing, Stanley T. Skinner, PG&E vice president-finance, submitted 3 exhibits containing January 31, 1976 data on outstanding contracts assigned the four banks, loan commitments and recovery schedules, and a statement of outstanding bank loans.

C. At the March 30, 1976 hearing the staff submitted a report dated March 25, 1976 which report supplemented the information in their June 1974 study.

originate with the Board of Directors of A&S, with approval of PG&E management. Funds traditionally have been obtained through lines of credit extended by various Canadian banks on demand notes. Security for these borrowed amounts was provided by assignment of various advance payment and loan exploration agreements to the banks. PG&E has in recent years provided the banks with "letters of comfort"[3/] which indicated PG&E was aware of and approved of the

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3/ Sample "Letter of Comfort" - Source: Appendix E of staff study, Exhibit No. 56 in Decision No. 84902 dated September 16, 1975 in Application No. 54279 (see footnote 2):

"Gentlemen:

We confirm that we are aware of arrangements whereby your Bank has agreed to make available to Alberta and Southern Gas Co., Ltd. the following credit lines:

$4,000,000 Canadian
$21,000,000 Canadian or U.S. at the Bank's option.

We understand the $4,000,000 is required for exploration purpose and is expected to fluctuate within wide limits. The $21,000,000 line is to be used for advances and prepayments made by Alberta and Southern Gas Co., Ltd. to responsible producers for the purpose of securing further gas supplies and, in the normal course, these loans would be repaid over a period of approximately twelve years. However, we understand that the overall credit is subject to annual review, at which times Pacific Gas and Electric Company undertakes to cause Alberta and Southern Gas Co., Ltd. to arrange for repayment if so requested by the Bank.

Pacific Gas and Electric Company controls 100% of the equity of Alberta and Southern Gas Co., Ltd. and you may be assured that it is our policy that Alberta and Southern Gas Co., Ltd. always be managed to the end of maintaining its ability to meet its obligations.

Yours very truly,

President or Vice President
Secretary"

borrowings. These "letters of comfort" allegedly did not obligate PG&E either as guarantor or directly as debtor, and thus assertedly required no advance approval by this Commission under PG&E's interpretation of Section 817, et seq. of the California Public Utilities Code.

In January 1975 the banks advised that they were no longer willing to accept "letters of comfort", but henceforth would require full written guarantees by PG&E. The reasons advanced were the thin capitalization of A&S considering the volume of the needed accommodations; the accelerating amounts of the accommodations required; and - most importantly - the banks' expanding concern as to future direct or indirect action by the Canadian and/or provincial governments in restricting the volume of natural gas licensed for export to the United States. Unsuccessful overtures were made to American banking consortiums in an effort to retain some form of indirect guarantee as the "letters of comfort", but the American banks also wanted direct written guarantees. PG&E thereupon determined to sign with the Canadian consortium herein named, deeming it advisable to keep Canadians involved to the fullest extent.

Under the new three-year agreement reached September 30, 1975 with The Banks, the aggregate principal amount of all loans will not exceed $100,000,000 in Canadian and/or U.S. funds, and each bank will loan funds to A&S on a revolving basis, provided, however, that in no event will the total unpaid principal due at any time to any bank, in respect to the loans, exceed $25,000,000. Interest, calculated monthly, will be paid on the last day of each month on the total unpaid principal amount. A&S will pay monthly to each bank a standby fee of 1/2 of 1 percent per annum, on the unadvanced portion of the maximum amount available. Repayment will be made by A&S remitting, as loans or advances to producers are

repaid by producers, the same pro rata to each bank on the basis that the total unpaid principal amount then due bears to the total unpaid principal amount of all loans then outstanding.

As of January 31, 1976, A&S had borrowed approximately $76,900,000 from the four banks named. These outstanding loans will be rolled over and consolidated under the $100,000,000 of the total line of credit proposed. Following unsuccessful ventures in previous "risk exploration" investments, PG&E does not contemplate that A&S will attempt further such ventures.4/

Under the terms of the guarantee instruments PG&E proposes to sign with The Banks, PG&E will unconditionally guarantee full payment of all debts and liabilities owed by A&S to The Banks rising only in respect of capital loans, with PG&E liability limited to the aggregate principal not to exceed $100,000,000, with interest from date of demand for payment. As collateral and continuing security, PG&E will assign to each bank that part of all indebtedness and liability of A&S to PG&E which bears the same ratio to all the indebtedness and liability as the amount of the liabilities to such bank bears to the aggregate of all the liabilities to The Banks as provided by the agreement. If a bank ceases making further loans to A&S, or calls the loans then outstanding, all money received by PG&E with respect of the said part of the indebtedness and liability of A&S to PG&E will be received in trust for the bank, and upon receipt paid to the bank; the whole without in any way limiting or lessening PG&E's liability.

4/ A&S in the past has lost almost $16,300,000 in unsuccessful risk exploration investment programs, and as of September 30, 1975 has closed out virtually all such participation.

PG&E believes that the funds necessary to cover A&S's interest payments will be available to A&S from PG&E's payments to cover A&S's costs of service, and that the principal payments will be available on a continuing basis from repayments to A&S from the oil and gas producers involved in the exploration and development programs.

It is anticipated that from time to time the loans to A&S will bear interest at rates which may exceed 10 percent per annum.[5/] (Note: the maximum interest permitted under the California Usury Law as contained in Article XX, Section 22 (Interest Rates) of the California Constitution and the Usury Law Initiative Act is 10 percent per annum.)

Discussion

Financial risk alone is a difficult enough concept to evaluate, but when compounded by the vagary inherent in probable direct or indirect governmental actions in the short-term future, the conjuncture offers little opportunity or latitude - especially if we wish to retain a reasonable expectancy of obtaining some natural gas! Remembering the fact that 40 percent of PG&E's present supply of natural gas comes from Alberta - a supply which overall unhappily is declining with consequent curtailment already beginning

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5/ The interest rates will vary from time to time as a result of a number of disparate factors: the differing mode of computation of the participating banks; a bank's election to fund in Canadian or U.S. dollars; a bank's election to fund in U.S. dollars in the London Interbank Eurodollar market; provisions contractually provided to cover fluctuations in either bank reserve or capital requirements as may be set by any of the governments where funding is made; and other variables including changes in the prime rate.

for interruptible customers, and probably to follow for firm customers within a decade, unless additional supplies are dedicated to California with reasonable assurance of delivery; considering the bright hopes for the Mackenzie Delta gas fields[6] and recognizing the virtual certainty of increased Canadian and/or United States government direct or indirect regulation, the Commission is forced to recognize that natural gas discovery funding practices inherited from a happier era of more abundant supply in a relatively unfettered market may no longer be either appropriate or available. Accordingly, we must accept changed circumstances and conclude that it would be imprudent not to approve this application.

Until 1975, and despite thin capitalization,[7] A&S was able to obtain lines of credit from three Canadian banks - The Royal Bank of Canada, Canadian Imperial Bank of Commerce, and the Bank of Montreal - in amounts sufficient to make advance payment and exploration loans to producer firms in the Alberta gas fields. These bank lines of credit were on a short-term demand note basis, secured by assignment of A&S's advance payment and exploration loan agreements with the producer firms. In addition the banks accepted the PG&E "letters of comfort" in lieu of iron-clad guarantees.[8] The risk to the banks was further acceptable in

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6/ Discussed in the Commission staff report - see footnote 2.

7/ A&S is capitalized at about $2,000,000.

8/ The theory behind the "letters" being that as a practical matter, if the Canadian banks called their demand notes, PG&E would be forced to cover the required funds, or lose the gas dedicated to California under the agreements, impair relations with various Canadian regulatory bodies, and damage PG&E's financial credibility in the United States.

that A&S was contractually assured of continued repayment of the advances and loans from gas sales revenues of the producer firms - even if a specific exploration project was unsuccessful, although repayment in this latter event would be on a scheduled basis and substantially deferred. Gas was being discovered and there was immediately open and available a ready market in both Canada and the United States. The PG&E subsidiary's gas exploration operation worked in a generally satisfactory manner even though it was outside the Gas Exploration Development Activity (GEDA) procedures adopted by this Commission.[9/] A&S, a purely Canadian company, albeit wholly owned by PG&E, contracted and financed with Canadian producers, Canadian pipelines, and Canadian banks, as it chose, passing on interest carrying charges for its lines of credit used to finance advance payments and exploration loans in the price of natural gas it delivered and sold.

Under this formerly acceptable procedure the PG&E ratepayer was fairly insulated from any immediate direct consequences of governmental intervention or adverse exploration results, and PG&E had considerable latitude in responding to either situation had one developed. However, under the direct guarantee procedure proposed by this application, potential consequences differ. In the event of any direct or indirect Canadian or American governmental intervention which "...results in a material reduction in the volume of natural gas immediately theretofore licensed for export

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9/ Under the GEDA procedure, the utility files a project letter with the Commission, requesting approval of a specific project. The letter sets forth a description of the project, its estimated cost, and revenue requirements to recover such cost. The letter is reviewed by the Commission staff and a recommendation is made to approve or deny the project. After the project is approved by the Commission, the utility may file an advice letter requesting that costs associated with the project be recovered in rates.

by the Company to the United States, or authorized for import into the United States by the purchasers thereof to the extent or in a manner that, in the reasonable opinion of any of the Banks, would likely impair the ability of the Company to perform this agreement or of PG&E to perform the Guarantee; or (f) if there is direct or indirect action by any governmental authority in Canada or the United States that, in the opinion of any of the Banks, would render unlikely to transpire the licensing for export from Canada by the Company of volumes of gas incremental to volumes immediately theretofore so licensed, and if, in the opinion of any of the Banks, such action would likely impair the ability of the Company to perform this agreement or of PG&E to perform the Guarantee; then the entire principal amount of all the Loans and all accrued unpaid interest thereon shall, upon written demand being made by any of the Banks, become and be immediately due and payable without presentment or further demand or protest or other notice of any kind, all of which are hereby expressly waived by the Company."10/ Thus, under the new proposal, under the least favorable circumstances, PG&E could suddenly find itself obligated to meet very substantial payments while holding title to proven Canadian natural gas reserves which it could not export to the United States, or perhaps even dispose of anywhere except within Canada. The adverse short-term consequences are obviously many.

But circumstances have changed from those existing in 1973 and 1974. Since the Canadian National Energy Board Act was passed in 1970, the Board has assumed an ever-increasing role in the regulation of exports - adhering to the concept that exportation of natural gas will not be allowed unless determined to be surplus to Canada's own future needs. In January 1975, apprehensive over

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10/ See Exhibit B to PG&E's application.

probable future direct or indirect action by either the Canadian or American authorities which could result in a material reduction in the volume of natural gas licensed for export, or authorized for import, and because of the other stated concerns, the Canadian banks required more than the "letters of comfort" for future lines of credit. Following unsuccessful overtures elsewhere, PG&E has negotiated the proposal contained in this application, and also obtained a new conditional three-year term line of credit rather than the former demand note line. PG&E also has determined, and we deem this prudent, to remain with the Canadian consortium, now enlarged to four banks by addition of The Bank of Nova Scotia, in recognition of their previous satisfactory banking relationship, and believing that dealing with Canadian banks would involve and benefit Canadians - thus possibly adding an intangible consideration to be noted by any Canadian governmental agency in possible future intervention in export licensing.

While this Commission naturally would prefer to have all facets of the gas exploration activities of California utilities, including financing with all its ramifications, subject to closer scrutiny by the Commission, under present general conditions and the particular circumstances present here, project-by-project approval is not feasible, and finally, there just is no way of determining at this point in time whether - even if gas reserves are discovered and/or dedicated - the necessary Canadian export licenses will be obtainable. There is not the slightest indication that the agreements with the banking consortium are not the best obtainable under the unusual circumstances prevailing, or that the agreements are not reasonable, or that they were not the result of arm's length bargaining. In the absence of any public protest,[11/] and considering the staff's

11/ The application was listed on the Commission's Daily Calendar of October 21, 1975. No objection to the granting of the application has been received.

recommendation for approval of the application, and after full consideration of PG&E's detailed presentation, which included an expressed willingness to pass through to California ratepayers any profits realized by A&S from sale of gas or rights to purchase gas should A&S fail to obtain export authorizations for such gas,[12/] we find the guarantee proposal as presented by this application by PG&E to be reasonable. As observed by the Supreme Court of California in Pac. Tel. & Tel. Co. v Public Utilities Commission (1950) 34 C 2d 822 at 828:

> "Almost every contract a utility makes is bound to affect its rates and services. Moreover, the question whether a contract is reasonable is one on which, except in clear cases, there is bound to be conflicting evidence and considerable leeway for conflicting opinions. The determination of what is reasonable in conducting the business of the utility is the primary responsibility of management. If the Commission is empowered to prescribe the terms of contracts and the practices of utilities and thus substitute its judgment as to what is reasonable for that of management, it is empowered to undertake the management of all utilities subject to its jurisdiction. It has been repeatedly held, however, that the Commission does not have such power." (Emphasis added.)

12/ In response to the question:

> "In the event that export authorizations are refused and A&S resells the gas within the Canadian market, what is the intention of the company with respect to any difference between the cost to A&S of the gas that it purchases from the producers and the price that it would receive from resale in the Canadian market?",

Mr. Skinner, PG&E finance vice president, agreed in the March 30, 1976 hearing as follows:

> "The original Pacific Gas Transmission Company/Alberta and Southern contract in 1960 provided for a credit in the cost of service for any profit on resale in Canada.
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> "We would exert our best efforts to accomplish that original objective to the extent permitted by the Canadian government, reduced only by any unavoidable taxes incurred in connection therewith."

There remains the issue of the applicability of the maximum interest rate provisions of Section 22 of Article XX of the California Constitution and the Usury Law Initiative Act, to the proposed PG&E guarantees, and the question of the situs and structuring of the guarantees.

Pursuant to the plenary powers granted by Article XII, Section 5 of the California Constitution, the Legislature is authorized to confer additional consistent powers upon this Commission as it deems necessary and appropriate, unlimited by the other provisions of the Constitution. The Legislature, under this plenary power, has conferred authority on this Commission to regulate creation of all evidence of indebtedness by public utilities.[13/] We construe this plenary grant as including the assumption by a public utility of any obligation or liability as guarantor, and including the power to prescribe restrictions and conditions as deemed reasonable and necessary.

Recent Commission Decisions Nos. 84929, 83504, and 83411, among others, held that this Commission in exercising its power to regulate public utility debt securities, or other evidence of indebtedness, is not restricted by provisions of the California usury laws and their ramifications.[14/] Public utility corporations are not the unwary and necessitous borrowers that the usury laws were enacted to protect.[15/] Consideration and approval of interest rates appendant to utility financing are inherent and inseparable

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13/ Public Utilities Code, Section 816, et seq.

14/ The exceptionally well-prepared brief of Staff Counsel Alderson filed August 23, 1974 in Decision No. 83411 dated September 4, 1974 in Application No. 55080 thoroughly covered this subject, and in part is applicable here.

15/ "These [referring among other statutes to the Public Utilities Act]...are the result of the best wisdom of our state and involve some of its most important and most cherished functions and it is not for a moment to be held that this system of beneficent laws was to be set awry by a poorly drafted act meant only to protect the individual necessitous borrower from the rapacity of the more fortunate lender." (In re Washer (1927) 200 C 598, 606.)

functions of the broad and comprehensive regulatory powers conferred upon the Public Utilities Commission. It is vital to the public interest that public utilities be able to raise funds for requisite exploration, development, and dedication of crucially needed additional natural gas supplies, and that the Public Utilities Commission not be restricted by provisions directed to the necessitous small borrower in fulfilling its regulatory function of insuring insofar as is possible that this State and its people have adequate, dependable sources and supplies of natural gas as they are required.

We reaffirm our prior decisions, and for reasons stated above, consider their thrust equally applicable to the proposed guarantees by PG&E of A&S's obligations under the bank agreements in this application. We recognize that the interest rates of the loans to A&S when and as required by the agreements between A&S and the banks will fluctuate, and necessarily may from time to time exceed 10 percent - the interest rate limitation under the California usury laws. Nonetheless, we conclude that it is in the public interest that this Commission authorize the execution of these guarantees by PG&E irrespective of the limitations on interest contained in California's usury laws. Because we find and conclude these usury laws do not apply to public utility guarantees authorized by this Commission, applicant, its assignees or successors in interest, nor any persons purporting to act on applicant's behalf, shall at no time have occasion to assert, and shall not assert, a claim or defense of usury in any proceeding relating to these guarantees and these agreements.

Lastly, in that The Banks and A&S are Canadian entities, the funds to be advanced under the lines of credit will be advanced and spent in Canada, and The Banks require it, this Commission does not object to PG&E situating and structuring the guarantees in the Province of Alberta, Canada.

Findings

1. There is now and shall continue to be a critical and increasing shortage of natural gas in California.

2. The Mackenzie field's production of natural gas in Canada is an important and vital component of California's supply and will continue to be vital to the needs of California consumers as it becomes available, and if necessary export authorizations can be obtained.

3. PG&E's application proposing a method of guaranteeing and financing lines of credit to its Canadian wholly owned subsidiary for the purpose of advance payment and exploration loans to Canadian producers, under all the circumstances - especially the portent of increased governmental licensing intervention - is a necessary, reasonable, and prudent approach to obtaining financing for exploration, development, and dedication of proven reserves of Canadian natural gas for California for years to come.

4. If A&S fails to secure expert authorizations for gas derived out of these guarantees, and consequently sells such gas or rights to purchase such gas, the Commission will expect and PG&E has agreed to exert every effort to pass through to California ratepayers any profits realized by A&S from sale of such gas or rights to purchase such gas.

5. The agreements between A&S and The Banks, pursuant to which PG&E seeks to assume certain liabilities as guarantor, contain interest rate provisions which may from time to time exceed the limitations provided in Article XX, Section 22 of the California Constitution.

6. Pursuant to plenary powers granted to the Legislature by Article XII, Section 5 of the California Constitution, the Legislature is authorized to confer additional consistent powers upon the Public Utilities Commission, unlimited by other provisions of the California Constitution.

7. Using these Article XII, Section 5 plenary powers, the Legislature has conferred upon this Commission comprehensive and exclusive power over the creation by public utilities of all evidences of indebtedness, including the assumption by public utilities of any obligation or liability as guarantor, and the California Usury Law cannot be applied as a restriction upon this Commission's regulation of such guarantees by public utilities, including the power to prescribe restrictions and conditions as deemed reasonable and necessary (Sections 816 et seq. of the Public Utilities Code).

8. If the usury limitation contained in Article XX, Section 22 of the California Constitution and the Usury Law Initiative Act is exceeded, but the guarantees are authorized by this Commission, neither PG&E, its assignees or successors in interest, nor any persons purporting to act on PG&E's behalf, will have occasion to, and cannot, assert any claim or defense relating to these guarantees and their appendant agreements under the California usury laws.

9. Because of the lawful execution and issuance by PG&E of the guarantees in compliance with authorization by this Commission, persons collecting interest pursuant to PG&E's obligations and liabilities as guarantor are not subject to the California usury law sanctions.

10. The Commission does not object, under the circumstances of this application, to PG&E situating and structuring the guarantees in the Province of Alberta, Canada.

11. Approval of the application is in the public interest and the application should be granted.

Conclusions

1. The application is in the public interest and should be granted.

2. The usury limitations contained in Article XX, Section 22 of the California Constitution and the Usury Law Initiative Act, do not apply to the interest rates on obligations or liabilities of subsidiaries of public utilities guaranteed by a public utility where the guarantees are lawfully authorized by the Public Utilities Commission.

3. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates. Because of the need to secure prompt execution of the agreements to provide a natural gas supply this order will be made effective on the date hereof.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to enter into the separate identical agreements with The Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, and The Bank of Nova Scotia described in the application, as guarantor of certain promissory notes of Alberta and Southern Gas Co., Ltd. (A&S)

2. PG&E is authorized to situate and structure these guarantees in the Province of Alberta, Canada.

3. Should A&S fail to secure export authorization for gas derived out of these guarantees, and consequently sells such gas or rights to purchase such gas, the Commission will expect PG&E to pass through to the California ratepayers any profits realized by A&S from sale of such gas or rights to purchase such gas.

4. Neither PG&E, its assignees or successors in interest, nor any persons purporting to act on PG&E's behalf, shall at any time assert in any manner, or attempt to raise as a claim or defense in any proceeding, that the interest rates in the agreements authorized herein between A&S and The Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, and The Bank of Nova Scotia,

as guaranteed by PG&E, exceeds the maximum permitted to be charged under the California Usury Law or any similar law establishing the maximum rate of interest that can be charged to or received from a borrower, and persons collecting interest pursuant to PG&E's obligations and liabilities as guarantor are not subject to the California Usury Law sanctions.

5. As soon as available, PG&E shall file with the Commission three copies each of their executed guarantees and the underlying agreements between A&S and The Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, and The Bank of Nova Scotia.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 27th day of APRIL, 1976.

I abstain.

Commissioner

President

Commissioners