

Decision 84 OS 028 AUG 1 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND)
 ELECTRIC COMPANY for an order under)
 Section 851, authorizing the)
 encumbrance of certain oil and gas)
 producing properties subject to the)
 Gas Exploration and Development)
 Adjustment (GEDA) ratemaking)
 procedure or, alternatively, for an)
 order that no Commission action on)
 this matter is required.)

Application 84-07-043
 (Filed July 16, 1984)

O P I N I O N

Pacific Gas and Electric Company (PG&E) requests authority to encumber certain oil and gas producing properties subject to the Gas Exploration and Development Adjustment (GEDA) ratemaking procedure. Alternatively, PG&E requests that the Commission issue an order finding that no Commission action respecting the proposed encumbrance of this property in connection with a pending production reserve financing transaction is necessary.

For the reasons set out below, this decision adopts the latter course and finds, consistent with the pronouncements by this Commission in Decision (D.) 93368 dated August 4, 1981 in Application 59750 and OII 79, that approval of encumbrances for project financings by utility subsidiaries in this situation is not required.

Discussion

In its application in this proceeding, PG&E summarized the Commission's prior pronouncements encouraging the use of project financing techniques so as to lower the cost of the GEDA programs. Consistent with the Commission's urgings in D.93368, PG&E has advised the Commission that it is preparing to conclude a 10-year term \$35,000,000 financing in which the notes issued in a private placement will be secured by a mortgage on, and the proceeds of production of, certain oil and gas producing properties acquired by Natural Gas Corporation of California (NGC)^{1/} as part of PG&E's GEDA program. PG&E expects that the cost of funds made available through this financing will be approximately 15-15.50%, thereby reducing the cost of the GEDA program significantly. PG&E will provide no guarantee of the repayment of the notes to be issued and is not otherwise an obligor thereunder.

In D.93368, in connection with our review of PG&E's GEDA program, we indicated that our review of the project financing activities of the GEDA subsidiaries of utilities was not required. The Commission possesses appropriate means to review the activities of those subsidiaries in the context of our review and rate authorizations of the GEDA program of the parent utility.

^{1/} Title to the property which will provide the security for the financing will be held by NGC Production Company (NGCPC), a wholly-owned subsidiary of NGC. NGCPC will be the issuer of the secured notes, with NGC guaranteeing the payment thereof.

Our conclusion in this regard is not altered by our having specifically authorized the sale of GEDA properties by Southern California Gas Company in Resolution G-2591, issued May 2, 1984. Although we believe that the interests of ratepayers in properties acquired under the GEDA program should be evaluated when actions affecting those properties are contemplated or taken, we do not believe that in this instance, where the properties owned by a subsidiary are being encumbered in furtherance of project financing techniques encouraged by this Commission, further review of the transaction or the encumbrance is necessary.

Findings of Fact

1. PG&E will not act as a guarantor of indebtedness issued by NGCPC.
2. The proposed loan and guaranty agreement is not a bond, note, security or other evidence of indebtedness of PG&E.
3. The mortgage does not encumber any property of PG&E.
4. The Commission retains jurisdiction to review PG&E's GEDA program and PG&E's actions and those of its subsidiaries thereunder, in the context of pending OII 83-12-02 and in other tariff proceedings before the Commission. Commission authorization of specific project financing, and encumbrances in connection therewith, by subsidiaries of utilities is not required.
5. There is no known opposition and no reason to delay issuing a decision in this proceeding.

Conclusions of Law

1. A public hearing is not necessary.
2. No action is necessary by this Commission.

This order should be effective on the date of signature to enable PG&E's subsidiaries to encumber their properties expeditiously.

ORDER OF DISMISSAL

IT IS ORDERED that Application 84-07-043 is dismissed.

This order is effective today.

Dated AUG 1 1984 at San Francisco, California.

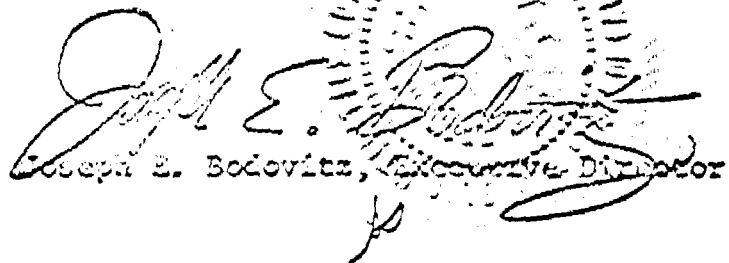
Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate

Commissioner William T. Bagley
being necessarily absent, did
not participate.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
DONALD VIAL
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE
COMMISSIONERS.


Joseph E. Bodovitz, Executive Director