

Decision 89 02 072 FEB 24 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND )  
ELECTRIC COMPANY to issue and sell )  
not exceeding 20,000,000 shares of )  
Common Stock, \$5 par value, in )  
connection with the Dividend )  
Reinvestment and Common Stock )  
Purchase Plan. )

Application No. 88-11-042  
(Filed November 28, 1988)

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O P I N I O N

Summary of Decision

This decision grants Pacific Gas and Electric Company (PG&E) the authority requested in the application.

PG&E requests authority, under Public Utilities Code (PU) Sections 816 through 818, for the following:

1. To issue and sell up to 20,000,000 shares of its Common Stock, \$5 par value, in connection with its Dividend Reinvestment and Common Stock Purchase Plan;
2. To use the net proceeds to be derived through the issue and sale of the Common Stock for the acquisition of property, the construction, completion, extension, or improvement of its facilities, or to partially reimburse its treasury for amounts previously expended for such purposes, or for the possible redemption or purchase (if economically feasible) and retirement of a portion of its outstanding debt or preferred stock; and

3. To modify the requirements of General Order Series 24 to permit the filing of the required reports on a quarterly basis.

Notice of the filing of the application appeared on the Commission's Daily Calendar of November 28, 1988. No protests have been received.

PG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission. PG&E generates, purchases, transmits and sells electricity and purchases, transports, distributes and sells natural gas to 47 counties in Central and Northern California. PG&E also provides a small amount of incidental water and steam services.

For the 12 months ended September 30, 1988, PG&E reported total operating revenues of \$7,307,013,000 and net operating income of \$1,292,221,000, as shown in its Income Statement as part of Exhibit A attached to the application.

Also shown as part of Exhibit A attached to the application is PG&E's Balance Sheet as of September 30, 1988, summarized as follows:

<u>Assets</u>	<u>Amount</u>
Utility Plant Net of Depreciation	\$16,417,208,000
Gas Stored Underground - Non-Current	44,041,000
Other Property and Investments	627,942,000
Current and Accrued Assets	2,631,170,000
Deferred Debits	<u>2,966,300,000</u>
Total:	\$22,686,661,000

A. 88-11-042 CACD/BVC

Liabilities and Equity

Current and Accrued Liabilities	\$ 1,846,307,000
Long-Term Debt	7,804,694,000
Other Non-Current Liabilities	424,022,000
Deferred Credits	3,977,062,000
Stockholders' Equity	<u>8,634,576,000</u>
Total:	\$22,686,661,000

As of September 30, 1988, PG&E's construction expenditures unreimbursed from the sale of securities amount to approximately \$8,724,767,000, as shown in Exhibit B attached to the Application.

Proposed Common Stock Issue

PG&E proposes to issue, sell and deliver up to 20,000,000 shares of its Common Stock, \$5 par value per share, for use in connection with the Dividend Reinvestment and Common Stock Purchase Plan (the "Plan").

PG&E intends to offer the shares to the holders of its Common and/or Preferred Stock pursuant to the Plan. The application relates to an additional 20,000,000 shares of Common Stock to be registered for purchase under the Plan. The Commission previously approved the issue and sale of Common Stock for use in connection with the Plan in Decision No. (D.) 85816 dated May 11, 1976, D. 88712 dated April 18, 1978, D. 91911 dated June 17, 1980, D. 93638 dated October 20, 1981, D. 85-02-034

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dated February 6, 1985 and D. 87-08-035 dated August 26, 1987. PG&E estimates that the remaining shares authorized by D. 87-08-035 will be issued in early 1989.

As more fully set forth in the Plan, participants in the Plan may either (a) have cash dividends on their shares of Common and/or Preferred Stock automatically reinvested or (b) invest both their cash dividends and optional cash payments or (c) invest optional cash payments only. Optional cash payments may be any amount from \$25.00 to \$10,000.00 per monthly investment. The purchase price will be the average of the daily high and low sales prices for PG&E's Common Stock on the composite tape, as recorded in the Pacific Coast Edition of The Wall Street Journal, for the period of five trading days ending on the 8th day of the month.

Request for Exemption From General Order Series 24

PG&E is unable to state the total number of stockholders who will purchase shares of Common Stock through the Plan. Accordingly, PG&E requests authorization to be relieved of the necessity of complying with the Commission's General Order Series 24. In lieu of a report or reports under the General Order Series 24, PG&E proposes to file with the Commission, on or before the 25th day of the month following each quarter, a statement for the preceding quarter showing the number of shares of Common Stock purchased under the plan, the gross proceeds received, and the expenses incurred by it in connection with the issue and sale of the Common Stock under the Plan. This proposal

is consistent with the reports required by the Commission for PG&E's current Dividend Reinvestment and Common Stock Purchase Plan, Shelf Registration Program, Savings Fund Plan, and Stock Option Plan. The Commission Advisory and Compliance Division (CACD) has reviewed PG&E's application and has no objection to PG&E's proposal to issue its Common Stock, \$5 par value, for the purposes specified in the application.

Use of Proceeds

PG&E proposes to use the proceeds from its sale of common stock, after payment and discharge of obligations incurred for expenses incident to the issuance and sale, for the acquisition of property, for the construction, completion, extension or improvement of its facilities, for the improvement or maintenance of its services, for the discharge or lawful refunding of its obligations, for the possible redemption or purchase, if economic, and retirement of a portion of its outstanding debt or preferred stock, or to partially reimburse PG&E for monies actually expended from income or other monies in its treasury not secured by or obtained from the issue of stocks, stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness, for the aforesaid purposes except maintenance of service and replacements, or for such other purposes as are described in PU Code Section 817. The amounts so reimbursed will become a part of PG&E's general treasury funds.

Capital Ratios

PG&E's Capital ratios as of September 30, 1988 are shown below as recorded and as adjusted to give pro forma effect to the transactions that follow:

	<u>Authorized D.87-12-068</u>	<u>Sept. 30, 1988</u>	<u>Pro Forma</u>
Lg. Term Debt	45.5%	46.5%	45.9%
Sht. Term Debt	0.0	1.6	8.5
Prf. Stock	8.5	7.2	6.7
Com. Equity	46.0	44.7	38.9
Total:	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Authorizations Proposed and Outstanding:

Debt

1. Credit facilities not exceeding \$1,000,000,000 aggregate principal amount (authorized by D.86-08-051 dated August 18, 1986, in Application (A.) 86-05-012, as modified by D.87-05-045 dated May 29, 1987).  
Standby lines of credit with banks in the amount of \$640,000,000 have been executed but no borrowings have been made;
2. The proposed remaining issuance of long-term debt obligations from PG&E to the State of California, Department of Water Resources in an aggregate principal

amount of \$101,773,044 (authorized in the amount of \$73,500,000 by D.82-12-008 dated December 1, 1982, in A.82-10-55 and increased to \$136,000,000 in D.86-08-024 dated August 6, 1986);

3. The proposed remaining issuance of not exceeding \$1,000,000,000 aggregate principal amount of Debt Securities (authorized by D.88-04-063 dated April 27, 1988, in A.88-02-007);
4. The proposed remaining issuance of not exceeding \$281,350,000 aggregate principal amount of Debt Securities (authorized by D.87-03-069 dated March 25, 1987, in A.86-12-066);
5. The proposed remaining issuance of not exceeding \$75,000,000 aggregate principal amount of Debt Securities (authorized by D.87-12-002 dated December 9, 1987, in A.87-10-010);
6. The retirement at maturity of \$25,929,000 aggregate principal amount of outstanding First and Refunding Mortgage Bonds during the remainder of 1989;

7. The redemption of (a) \$77,000,000 aggregate principal amount to meet sinking fund requirements and (b) \$185,964,000 aggregate principal amount for other purposes from the time of this Application and the remainder 1989;
8. The proposed remaining issuance of the maximum amount of short-term Debt Securities authorized by D.87-09-056 dated September 23, 1987, in A.87-08-008 and PU Code Section 823(c) (currently a total of \$1,840,878,319 aggregate principal amount);

Preferred Stock

9. The proposed issuance of Preferred Stock with an aggregate par value not exceeding \$75,000,000 (authorized by D.84-07-116 dated July 18, 1984, in A.84-04-116);
10. The proposed issuance of Preferred Stock with an aggregate par value not exceeding \$200,000,000 (authorized by D.87-12-002 dated December 9, 1987, in A.87-10-010);



11. The sinking fund requirements totalling \$40,245,000 aggregate par value from the time of this Application and the remainder of 1989;

Common Stock

12. The proposed issuance of 9,447,900 shares of Common Stock remaining in connection with the existing Shelf Registration Program at the time of this Application (estimated proceeds of \$165,338,250 using a stock price of \$17.50) (authorized by D.85-08-098 dated August 21, 1985, in A.85-06-043 and extended by D.88-04-047 dated April 27, 1988);
13. The proposed issuance of 17,003,046 shares of Common Stock remaining at the time of this application in connection with the Savings Fund Plan (estimated proceeds of \$297,553,305 using a stock price of \$17.50) (authorized by D.88-03-050 dated March 23, 1988, in A.88-02-033);
14. The proposed issuance of 7,571,284 shares of Common Stock remaining at the time of this application in connection

with the Dividend Reinvestment and Common Stock Purchase Plan (estimated proceeds of \$132,497,470 using a stock price of \$17.50) (authorized by D.87-08-035 dated August 26, 1987, in A.87-07-005);

15. The proposed issuance of 1,500,000 shares of Common Stock in connection with the Stock Option Plan (estimated proceeds of \$26,250,000 using a stock price of \$17.50) (authorized by D.86-10-043 dated October 16, 1986, in A.86-08-001); and
16. The proposed issuance of not exceeding 20,000,000 shares of Common Stock in connection with the Dividend Reinvestment and Common Stock Purchase Plan as requested in the Application (estimated proceeds of \$350,000,000 using a stock price of \$17.50).

The pro forma capital ratios, as shown above, do not include any future additions to retained earnings. Also, PG&E has stated that the maximum amount of short-term debt securities authorized by statute and Commission decision is unlikely to be outstanding for any long period of time before being refinanced by other securities, which are also included in the pro forma

capital ratios. In addition, due to the uncertain timing of the issuances of the debt, preferred stock and common stock previously authorized and the future economic feasibility of redeeming or refunding of PG&E's debt and preferred stock securities, PG&E has stated that the pro forma capital ratios may not be achieved.

PG&E is placed on notice, by this declaration, that the Commission does not find that PG&E's actual or pro forma capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate, financial attrition or rate base offset proceedings.

Construction Budgets

PG&E's construction budgets for calendar years 1988, 1989 and 1990 amount to about \$4,810,000,000, estimated as of November 21, 1988. Major classifications of the total budgeted construction are summarized as follows:

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Electric	\$ 929,000,000	\$1,000,000,000	\$1,100,000,000
Gas	275,000,000	410,000,000	425,000,000
Other	<u>216,000,000</u>	<u>250,000,000</u>	<u>205,000,000</u>
Total <sup>(1)</sup>	\$1,420,000,000	\$1,660,000,000	\$1,730,000,000

(1) Includes Allowance for Funds Used During Construction (AFUDC).

The CACD has reviewed PG&E's construction budgets for the calendar years 1988, 1989 and 1990 and concludes that the sale of PG&E's Common Stock could be necessary to partially reimburse PG&E's treasury for capital additions and improvements to its utility plant or to fund planned construction. However, PG&E is placed on notice, by this decision, that the Commission does not find that PG&E's construction program is necessary, or reasonable, for ratefixing purposes. These are issues normally tested in general rate or rate base offset proceedings.

Cash Requirements Forecasts

PG&E's cash requirements for 1988 and 1989 estimated as of November 21, 1988, are as follows:

	<u>1988</u>	<u>1989</u>
Funds Used or Required for Construction Expenditures (Excluding AFUDC)	\$1,307,200,000	\$1,360,000,000
Maturities and Redemptions of Long-Term Debt, Including Sinking Fund Requirements and Preferred Stock	1,370,768,000	176,457,000
Short-Term Debt Outstanding as of Beginning of Year	<u>303,000,000</u>	<u>539,000,000</u>
Subtotal:	\$2,980,968,000	\$2,075,457,000
Less: Estimated Cash Available from Internal Sources (Excluding AFUDC)	<u>1,097,968,000</u>	<u>1,368,457,000</u>
Additional New Funds Required from Outside Sources	\$1,883,000,000	\$ 707,000,000

The CACD has analyzed PG&E's cash requirements forecasts above, and concludes that internally generated funds will provide about 37% or \$1,097,968,000 for 1988 and about 66% or \$1,368,457,000 in 1989.

The CACD concludes that PG&E's proposed sale of securities, as requested in the application, is necessary to help meet its forecasted cash requirements. PG&E will need additional cash from outside sources of \$1,883,000,000 in 1988 and \$707,000,000 in 1989.

Findings of Fact

1. PG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. PG&E has need for external funds for the purposes set forth in the application.
3. The proposed issue of Common Stock would be for proper purposes.
4. The money, property, or labor to be procured or paid for by the issue of the Common Stock is reasonably required for the purposes specified in the application.
5. In respect to the proposed issuance and sale of Common Stock, PG&E should be relieved of the necessity of complying with the requirements of the Commission's General Order Series 24 in lieu of a quarterly filing.
6. There is no known opposition and there is no reason to delay granting the relief requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of PG&E's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), on or after the effective date of this order, may issue and sell not exceeding 20,000,000 shares of its Common Stock, \$5 par value per share, to the holders of PG&E's Common and/or Preferred Stock pursuant to PG&E's Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), upon terms and conditions substantially consistent with those set forth, or contemplated by the application.

2. PG&E is relieved of the necessity of filing reports under General Order Series 24. In place of this requirement, PG&E shall file, with the Commission, on or before the 25th of the month following each quarter, a statement for the preceding quarter showing the number of shares of Common Stock sold in connection with the Plan, the gross proceeds received and the expenses incurred by it in connection with the issuance and sale of the Common Stock.

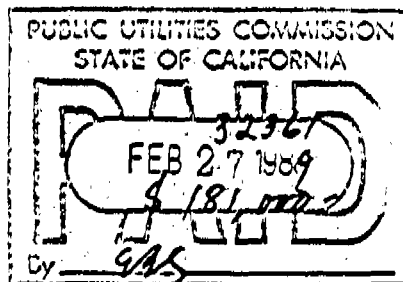
3. PG&E shall use the net proceeds from the sale of its Common Stock only for the purposes specified in the application.

4. The application is granted as set forth above.

The authority granted by this order will become effective when PG&E pays \$181,000, the fee set by PU Code Section 1904.1. In all other respects, this order is effective today.

Dated FEB 24 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
Commissioners



I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

A handwritten signature in cursive script, which appears to be "Victor Weissner".

Victor Weissner, Executive Director